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# ***JPRS Report***

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## NORTHEAST ASIA

### U.S. Nuclear Forces in Korea 'Losing Utility'

92P30054A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 22, 23 Nov 91 pp 7-9

[Article by Chen Lineng (7115 4539 5174): "Prospects for U.S. Nuclear Weapons Deployed in South Korea"]

[Text] On 27 September U.S. President Bush announced that the United States would withdraw all tactical ground-based and sea-based nuclear weapons from South Korea, but he implied that the United States would continue to keep tactical airborne nuclear weapons in South Korea. According to foreign reporting, following negotiations between South Korea and the United States in September, the United States made plans to withdraw all tactical ground-based, sea-based, and airborne nuclear weapons from South Korea before April 1992.

For a long time the U.S. Government would neither confirm nor deny that it had nuclear weapons deployed in South Korea. According to foreign media reporting, for the past 40 years the United States has deployed more than 1,000 nuclear weapons of different types within 100,000 square kilometers of South Korea. The United States has nuclear land mines deployed along the border of the DMZ and the majority of tactical ground nuclear weapons are deployed in the area around the DMZ. There are storage and control facilities in Taegu. Nuclear shells are deployed at Kunsan and Osan bases, and Kwangju is the storage, logistics, and control base. In South Korea there are four Lance surface-to-surface missile launching sites and 144 Nike II surface-to-air missile launching sites. The U.S. ground command for South Korea has a large-scale command and control facility in Seoul which includes a nuclear offensive plan and an emergency system. In Tongduchon, the U.S. Second Infantry Division is equipped with nuclear field artillery and nuclear mines. The main force of the U.S. Army nuclear reinforcements is stationed in Taejon. In Uijongbu, the U.S. Second Infantry Division artillery command headquarters has emergency facilities for receipt of orders to fire nuclear weapons. The Sixth Battalion of the 37th Field Artillery Unit has nuclear equipment which includes emergency equipment. Tobongsan ammunition depot is a forward reserve armory of nuclear weapons for the U.S. Second Infantry Division. Many warships equipped with nuclear warheads from the U.S. Seventh Fleet operate in South Korean ports. In Osan the U.S. Tactical 51st Air Wing has fighters which can carry nuclear weapons, emergency equipment, and a nuclear air strike training ground. In Kunsan the U.S. Eighth Tactical Air Wing has two squads of F-16 bombers that can carry nuclear weapons.

In Taegu, the U.S. 497th Tactical Air Wing has F-4E fighter-bombers which can carry nuclear weapons.

The tactical nuclear weapons which the United States has deployed in South Korea are a source of insecurity and instability in Northeast Asia. According to foreign wire reporting, when the United States was at war in northeast Asia or during a crisis there, the U.S. Government considered several times using or threatening to use tactical nuclear weapons. On 30 November 1950, U.S. President Truman formally announced that he was considering using the atomic bomb. Moreover, the atomic bomb was secretly transported in December to a U.S. aircraft carrier stationed off the Inch'on coast, and the aircraft carrier with the nuclear bomb was awaiting final orders. In the spring of 1953, U.S. President Eisenhower pointed out in a speech that as of the time he took office, the United States would not rule out using the atomic bomb on North Korea. On 15 April 1969, North Korea shot down a U.S. electronic reconnaissance plane spying in North Korea. U.S. President Nixon considered bombing North Korea in return. If North Korea counterattacked, he had decided to use the atomic bomb. In May of 1975 U.S. President Carter said that the United States might possibly use the tactical nuclear weapons deployed in South Korea if necessary. On 10 August 1981, U.S. Secretary of Defense Weinberger said that regions where the United States wielded the neutron bomb not only included Europe but also North Korea in the Asian region.

For the past 40 years the United States has deployed a large number of tactical nuclear weapons in Korea. Its strategic considerations are as follows: 1) For a long time the United States believed that the Soviet Union maintained a sizeable military force in the Far East with a comparative advantage in conventional forces. So the United States needed to rely on its nuclear forces as a deterrent to make up for its disadvantage in conventional weapons. 2) The U.S. used the large number of nuclear weapons it deployed in South Korea to support South Korea in its confrontation with North Korea. 3) The large number of nuclear weapons which the United States deployed in South Korea was helpful in maintaining the U.S. strategic advantage in Northeast Asia and was the nuclear mainstay of the U.S.-Japanese alliance.

Entering the 90's, the Soviet Union sought to completely improve its relations with the Western countries, headed by the United States, and to establish diplomatic relations with South Korea. North Korea was also active in improving relations with the United States and Japan. Of special note is that North and South Korea, long involved in confrontation, held prime ministerial summits and had a major breakthrough, both agreeing to sign the "North-South Reconciliation, Mutual Nonaggression, Exchange and Cooperation Treaty." North and

South Korea both became members of the United Nations. Under these conditions, the nuclear weapons which the United States has deployed in South Korea have gradually lost their deterrent value and utility. Instead the United States can use the withdrawal of nuclear weapons from South Korea to force North Korea to accept inspections of its nuclear facilities by the IAEA.

To date the United States has not formally announced a concrete plan to withdraw all nuclear weapons from South Korea. International opinion is still doubtful as to whether the United States can withdraw all ground-based, sea-based, and airborne nuclear weapons from South Korea within a short time. We have yet to see if the Korean peninsula can truly become a nuclear-free zone.

### Chen Yeping on Peaceful Evolution

92CM0143A Beijing SIXIANG ZHENGZHI  
GONGZUO YANJIU [RESEARCH IN  
IDEOLOGICAL-POLITICAL WORK] in Chinese  
No 11, 8 Nov 91 pp 6-7

[Article by Chen Yeping (7115 6851 5393): "Understand the Macroclimate and Nurture the Microclimate"]

[Text] Comrade Jiang Zemin says, "We must fully understand the grim situation facing the party and the important tasks history has charged us with. We must fully realize the grave danger the international hostile forces pose to us by intensifying their peaceful evolution." To resist the peaceful evolution pushed by imperialism, Comrade Song Ping [1345 1627] says, we must do a good job in party construction so that it can live up to the challenge of the anti-corruption and anti-peaceful evolution struggle. The party's collective leadership has been correct in its assessment of the peaceful evolution situation since the Fourth Plenum of the 13th CPC Central Committee, as has its response. Its measures too have been powerful and effective. Be that as it may, if we are to realize the party's spirit to the full, we must continue to work arduously. Most important, the whole party must be taught to understand the macroclimate, think in terms of waging a long-term battle, integrate the "anti-peaceful evolution struggle" with party construction, and conduct a protracted war against peaceful evolution.

It is an established imperialist policy to apply the peaceful evolution strategy to socialist nations, a reactionary strategy unveiled in the 1950's and has been enjoying a resurgence since the 1980's. Over the past few decades, leaders came and went in the West, but the Western monopoly capitalist class has stuck to this reactionary strategy faithfully and consistently. Of course, their detailed tactics have changed as the international struggle situation changes. But the changes are nothing more than variations on a theme; it is a case of putting old wine in a new bottle. These days the West is using peaceful evolution as the main weapon in its anti-communist movement. Taking a multi-pronged approach, it is infiltrating socialist nations through multiple channels, political, economic, ideological, and cultural, in a vain attempt to win a bloodless war.

Imperialism practices double dealing. They shake your hand with one hand and carry a knife in the other. Ruling parties in socialist nations should use the two hands of revolution to deal with the two hands of counter-revolution. On the one hand, heighten our vigilance. Beef up our defense. Be ready to annihilate the invading enemy any time. On the other hand, launch an anti-infiltration, anti-subversion, and anti-peaceful evolution campaign in all fields. A ruling communist party which turns its back on the basic conclusions clearly set forth in Lenin's "On Imperialism" and abandons the class struggle and the proletarian dictatorship will lose out in the global struggle between the two classes and the

two social systems and tens of millions of heads will roll. This is no theoretical propaganda but is living reality in some countries. Certainly we are not suggesting that the foreign policy of a socialist nation cannot display a limited measure of flexibility. China's foreign policy is both distinct from and closely related to the anti-peaceful evolution struggle. Based on the five principles of peaceful coexistence, we must make friends widely—the more, the better—and wage the war against peaceful evolution on the diplomatic level as well. During the war of resistance against Japan, we formed a united front with Chiang Kai-shek in line with the strategic principle of combining unity with struggle. In the same vein, we must combine friendship with struggle in our dealings with the West.

Several socialist nations, some people say, are on the brink of collapse, their demise imminent. To me, this is a merely superficial phenomenon. The fact of the matter is that a gradual process has been under way in which quantitative change gave way to qualitative change over time. "It takes more than one cold day for the river to freeze three feet."

The principal internal factor is democratic socialist thought spreading unchecked within the party. Externally, it has mainly to do with the effects of the imperialist peaceful evolution strategy. Right now the imperialists are congratulating one another on their success in some countries and are making plans to spend \$100 billion on them under a new "Marshall Plan" to speed up their transition to capitalism. They should not celebrate too soon, however. That the imperialist peaceful evolution strategy has prevailed in those nations is certainly a serious setback for the cause of socialism and the international communist movement, but it does not alter the objective laws of historical development in a fundamental way. Comrade Jiang Zemin puts it incisively, "It is a short-sighted observer who sees only some eddies and counter-currents but is blind to the surging flow of the long course of history." True Marxist-Leninists all over the world will not readily give up their beliefs and henceforth lower their banners and muffle their drums. At the moment these nations are in the grip of economic hard times; prices are soaring and the people are seething with discontent. Capitalism has not shown itself to be superior in any way. Previously some people dreamed of living the affluent lifestyle of developed Western nations as soon as peaceful evolution was over. Those dreams are being shattered.

The international macroclimate and the domestic microclimate interact with and reinforce each other, the former always working through the latter. China and a number of other nations share a common international macroclimate. In other words, all are under attack from the imperialists' peaceful evolution. However, because of divergent domestic factors, the outcome also differs from nation to nation. China decisively quelled the disturbances and counter-revolutionary riots, blunting

the ferocious attack from the imperialists and consolidated a key position in international socialism. In contrast, some nations continued to slide down the road of capitalism.

The radical changes in some nations have now become an important part of the international macroclimate, threatening us. After practicing socialism for decades, some countries simply collapsed overnight. How can the CPC survive, some people ask. I say, why not? Provided we understand the macroclimate and nurture the microclimate, we will be in an invincible position and can turn our party into a mainstay in the international communist movement.

In stark contrast to the international macroclimate, the microclimate inside China is getting better and better every day. In specific terms, there are at least these positive things. First, a new central collective leadership headed by Comrade Jiang Zemin has been elected by the Fourth Plenum of the 13th CPC Central Committee. This is a basic organizational guarantee of our advance in accordance with the party-building line of Marxism-Leninism and Mao Zedong Thought. Second, after ending and putting down the disturbances and counter-revolutionary riots, China has correctly identified and tackled two essentially different kinds of contradictions and further stabilized the political situation. Third, the CPC has continued to follow the basic line of one center and two basic points firmly. It has consolidated the foundation of the republic and is headed for national empowerment. Fourth, the economic situation is improving all the time. The 10-Year Program and Eighth Five-Year Plan, examined and approved by the fourth meeting of the Seventh National People's Congress, signal the fact that economic development in China is setting its sights on new and more ambitious goals and will soon scale new heights. Fifth, party committees at all levels, from the center to the local, have put party construction on the agenda in earnest. What has emerged is an entire party concentrating on party construction.

Nevertheless, we must be sober enough to see that although the party has been rectified internally, that party members have registered anew, and that its combat effectiveness has been raised, the problems of impure thinking, politics, organization, and practices have not been sorted out totally but have actually resurfaced in the new situation. This is the hidden peril in the anti-peaceful evolution struggle. Accordingly, we must put ideological construction at the top of the party construction agenda, continue to do a good job in educating party members unwaveringly in basic Marxist theories, the party's basic line, and basic knowledge about the party; improve the members' ideological and political caliber; and enhance their party spirit so that every member has a scientific world outlook and is familiar with the scientific methodology. Both Comrade Deng Xiaoping and Comrade Jiang Zemin have emphasized that we must fully appreciate the importance of arming all party cadres with Marxism from the strategic high plane of upholding party leadership and sticking to the socialist

road, of ensuring the realization of the party's overall goals and missions, and of successfully foiling the attempts at peaceful evolution by hostile forces. We must see through and defeat the peaceful evolution plot hatched by domestic and foreign hostile forces. Most important, arm the entire party with Marxism-Leninism and Mao Zedong Thought, building a great wall of iron and steel to resist peaceful evolution. Eliminate elements that are politically opposed to the party in order to rid the party of political impurity. Screen membership applications more closely and deal with unqualified members so as to solve the problem of organizational impurity. Implement the resolution of the Sixth Plenum of the 13th CPC Central Committee; revive and further the party's fine tradition and style, thereby ending impure practices. It will take more than determination and measures to build the party up. What is also needed is a corps of workers and forums. Party papers and publications must continue to publicize the idea of using Marxism to build the party up and the CPC Central Committee's party construction line. As for the fallacies of bourgeois liberalization thought, we must keep up our attack relentlessly and criticize them in depth, following up our victory with hot pursuit.

The party is experienced in and has learned from its antipeaceful evolution struggles ever since the nation was liberated. In the first 30 years, the imperialist peaceful evolution strategy did not work. Apart from miscellaneous objective social and historical factors, a critical reason for its failure was the fact that our party and our people were highly vigilant politically. Comrades Mao Zedong and Deng Xiaoping constantly stressed the importance of opposing peaceful evolution. Since 1980, we have mentally lowered our guard against peaceful evolution, and some people even talk about "convergence" and "filling the world with love," thus giving the imperialists an opportunity they could exploit. In 1989, domestic and foreign hostile forces colluded in an evil cause, whipping up a soul-stirring political storm. Suddenly we woke up and saw the light once again. We must be mindful of the lessons of history. In future construction and reform, we absolutely must not forget that imperialism is like a tiger eyeing its prey, hell bent on destroying us. The antipeaceful evolution struggle is a long-term struggle and is part and parcel of socialist modernization from beginning to end. Inside China, people who stubbornly cling to bourgeois liberalization as well as degenerate and corrupt party members are the hatchet men, agents, and social base that imperialism uses to practice peaceful evolution. Opposing peaceful evolution also means opposing bourgeois liberalization, ending corrupt phenomena inside the party, propagating people's democracy, submitting oneself to mass supervision, and eradicating the soil where things can go bad from the inside. This too will be a protracted struggle. We must wage war against peaceful evolution long term. At stake is whether or not our party and our nation will change, whether or not our children and our children's children will continue to advance on the road of Marxism. According to an old saying, "Those who plan

ahead prosper; those who don't are doomed to failure." Therefore, we must hunker down and work conscientiously, starting today. If things are not done now, it will be even harder for our descendants. Provided we do not forget to guard against corruption and peaceful evolution, the imperialists' dream of peaceful evolution will not come true in China.

**Ideological, Political Work of Intellectuals Viewed**  
92CM0158A Beijing SIXIANG ZHENGZHI GONGZUO  
YANJIU [RESEARCH IN IDEOLOGICAL— POLITICAL  
WORK] in Chinese No 12, 8 Dec 91 pp 15-17

[Article by Wan Yuping (8001 5148 1627): "Understand the Characteristics of Ideological and Political Work for Intellectuals in New Era"]

[Text] Ideological and political work for intellectuals has traditionally been a major part of the party's ideological and political work. Examining in earnest the new characteristics of ideological and political work for intellectuals in the new era has enormous practical significance for accomplishing the party's strategic mission of shifting economic development onto a path of relying on scientific and technical [S&T] advances and improving the workers' caliber. This article proposes to explore this issue.

The reaffirmation of the class nature of intellectuals and the reiteration of the notion that "science and technology are the foremost productive forces" have defined the goals of ideological and political work for intellectuals even more clearly.

It has always been the purpose of ideological and political work to help the party achieve its political mission. When ideological and political work must serve the political mission of "taking class struggle as the key link" and nothing else, it had no choice but to draw the class alignment and determine the intellectual's class stand based on his class background, thereby artificially stifling the enthusiasm of vast numbers of intellectuals for building socialism. The "summary of the national education work conference" of 1971, which was revised by Yao Wenyuan [1202 2429 0337] with a final version prepared by Zhang Chunqiao [1728 2504 2890], came up with two so-called "misjudgments," namely that for 17 years before the Cultural Revolution, the bourgeoisie imposed a dictatorship over the proletariat and that the world outlook of most intellectuals was basically bourgeois. Both were misjudgments that took right for wrong, friends for enemies, creating utter confusion for ideological and political work for intellectuals and burdening them with heavy ideological baggage. Since the Third Plenum of the 11th CPC Central Committee, the CPC Central Committee has been setting right things which had been thrown into disorder, thoroughly repudiated the two misjudgments, and unequivocally declared that "intellectuals are part of the proletariat." The change in the intellectual's class nature has turned him from an object of discrimination into an object of dependence,

lifting the cloud he had long labored under and pointing up a correct direction for ideological and political work for intellectuals in the new era. The party's principle of "respecting knowledge and honoring the expert" embodies the intellectual's deepest desire to contribute his talent to making the motherland rich and strong and revitalizing the nation, and satisfies his psychological need for social recognition. With the declaration that "science and technology are the foremost productive forces," the position of intellectuals as part of the proletariat has been further highlighted. At the same time, the declaration that "science and technology are the foremost productive forces" has placed more exacting demands on ideological and political work for intellectuals under the new circumstances. Whether or not the important strategic goal of shifting economic construction onto the path of relying on S&T progress and improving the workers' caliber to a large extent will depend on success of ideological and political work in truly mobilizing the enthusiasm, initiative, and creativity of vast numbers of intellectuals.

**The Coexistence Between Hope and Perplexity, Between an Eagerness To Forge Ahead and Hesitation in the Course of Reform Has Vastly Complicated Ideological and Political Work for Intellectuals.**

The reform currently under way in China is a process of endless exploration and improvement. As the old order gives way to the new in the course of reform, inevitably new contradictions and new problems will arise. There also will be some deviations and mistakes as a result of not fully understanding or misinterpreting the principles and policies of the CPC Central Committee or because of our lack of experience. And then there are some individuals who, flaunting the banner of reform but exploiting loopholes in uncoordinated policies, trade power for profit or vice versa in violation of the law. All these problems are bound to create a variety of conflicts in people's minds, leading to a situation where hope exists side by side with perplexity, an eagerness to forge ahead with hesitation.

By and large the broad ranks of intellectuals endorse, support, and throw themselves enthusiastically into the enterprise of reform. However, many people complain endlessly about problems and become disheartened when they come across a setback because they have overestimated the material benefits of reform and underestimated its difficulty. From our studies, we are convinced that the thrust of ideological and political work for intellectuals at the moment should be to clear up their doubts and misgivings, help them see the light, improve the environment, and spur them on.

First, the intertwining of unavoidable theoretical problems with sensitive practical problems has yet to be untangled. For instance, in theory a case may be made for allowing certain people, units, and localities to get rich ahead of others. In reality, though, the situation is more confusing. Not everybody who gets rich ahead of



others owes his wealth to honest labor, legitimate operations, or fair competition. The theory that it takes institutional development, not mass movements, to overcome corruption too is a lesson drawn from experience. Yet institutional development has been going on for over a dozen years now, organs of discipline inspection and supervision have been proliferating, the party has been rectified, and we have been through two rounds of party membership registration. Still the trend is one of growing corruption in the party and society at large. The strength of socialism is shared prosperity. Why then is inequitable distribution between localities, trades, and units an increasingly serious problem? The achievement of the second strategic goal depends on S&T progress and a work force of an improved caliber. But these days mental and manual labor are paid exactly the opposite wages. Can we call that "respecting knowledge and honoring the expert?" In short, the fact that intellectuals integrate theory with reality in their thinking has only made it so much more difficult for ideological and political education to clear up doubts and misgivings and provide an answer in the new situation.

Second, some reform measures are flawed and do not form a coherent and consistent whole. The resultant psychological conflicts have yet to be resolved. Because they were not adequately studied beforehand, a number of reforms have done more harm than good. A situation like this calls for education and guidance through ideological and political work. For instance, these days the intellectuals probably complain the loudest about the job title evaluation policy. The policy is pegged to wages and there is a numerical limit; people can only move up but not down. There is no mechanism whereby people can compete on the basis of their actual performance. The policy also has been changed frequently and lacks continuity. As a result, everybody wants to keep up with everybody else and scrambles to jump on the bandwagon. So money has been spent only to make a majority of people unhappy, a far cry from the original goal of reform, which is to unleash enthusiasm. Another example has to do with the policy of allowing S&T personnel to moonlight in their off hours, which has been more roundly criticized in grassroots units than anything else. Judging from our experience over the past few years, this policy too has done more harm than good by turning some S&T personnel formerly above material gains into a bunch of money-crazy people. As reform continues to deepen, the adverse effects of flawed, coordinated, and incoherent reform policies will certainly make it harder for ideological and political work to guide intellectuals.

Third, unevenness in economic development between localities, trades, and units has led the "peacock to fly to the southeast." The environment awaits improvement. In theory, the party's policy on intellectuals should treat every single intellectual in every region in the same way. Owing to unevenness in economic development between regions, trades, and units, however, compounded by the state's preferential policy, there are substantial differences in the S&T conditions, working environment, and

pay for intellectuals from region to region. Hence their discontent and their tendency to keep up with the Joneses. At a time when qualified personnel are allowed to resign and move from place to place, their discontent and desire to outdo one another have translated into the exodus of droves of S&T personnel from the interior to special economic zones and of S&T personnel from state and collective enterprises to enterprises funded by the three capital sources and even private enterprises. And when they have the wherewithal to go abroad, many people do so—for good. This phenomenon fully shows that economic, scientific, and technological competition today is a competition for qualified personnel. And in a real sense the competition for qualified personnel is a race to create an environment where such personnel can live and work. What with the grim challenge posed by a worsening brain drain, we must make the improvement of the environment and conditions inside one's own unit a priority if we are to intensify ideological and political work for intellectuals in the new situation. You cannot keep good people, let alone win their support, if you just rely on a couple of documents that keep them down.

Fourth, we must encourage and inspire the broad ranks of intellectuals to release their creative energies in science and technology. Fully mobilizing the intelligence and abilities of the broad masses of intellectuals is critical to shifting economic construction onto the path of relying on S&T progress and improving the workers' caliber. However, there is just no shortcut to S&T inventions. Nor is the process of S&T innovation smooth sailing. Any setbacks and difficulties may undermine the confidence of S&T personnel and sap their courage to continue their research, abandoning their quest when success is just around the corner. Studies on the subject show that when a person's subjective initiative is undermined by the ordinary external objective environment, he can utilize only 20 to 30 percent of his talents. On the other hand, if he is constantly encouraged and inspired, he can put to use over 90 percent of his abilities. We can thus see that our success or otherwise in releasing the intellectuals' massive potential talents is the most fundamental indicator of the effectiveness of ideological and political work in the new situation.

**The Threat From the Peaceful Evolution Strategy of Hostile Western Forces and the Impact of Democratic Socialism and the Ideological Trend of Bourgeois Liberalization Have Made the Contents of Ideological and Political Work for Intellectuals in the New Situation More and More Complex.**

About the threat from the strategy of peaceful evolution pushed by the Western bourgeoisie. When national isolation and class struggle were on everybody's lips day after day, month after month, year after year, it was well nigh impossible for the Western bourgeoisie's peaceful evolution strategy to sneak its way into China, so its influence on the thinking of intellectuals was minuscule. For instance, since economic development was not the focus of our work, which means that the status and role

of intellectuals went unrecognized, the peaceful evolution strategy, which tried to use a carrot and stick approach by taking advantage of the economic, scientific, and technological strengths of the West, did not work. Moreover, anybody found listening to a foreign radio station would be dealt with as a counterrevolutionary summarily, thus depriving those who pushed the peaceful evolution strategy of a forum to conduct psychological warfare through the media. In addition, it was a tactic on the part of the peaceful evolution strategy to take advantage of the exchange of personnel to sow the "seeds of freedom" and carry out ideological and cultural infiltration. With China cut off from the Western world totally, there were no opportunities for such infiltration. In the wake of China opening itself up to the outside world and increasing contacts with foreign nations, the economic, scientific, and technological superiority of developed Western nations has facilitated the execution of the peaceful evolution strategy and induced an inferiority complex among intellectuals, leading them to yearn for the West. The phasing out of restrictions on receiving foreign radio broadcasts too has made it possible for the peaceful evolution strategy to use the media to divide and demoralize the people and wage a gunpowder-less war. The increase in S&T cooperation, foreign trade, and cultural exchange also has made it possible for the peaceful evolution strategy to use the intellectuals as the "seeds of freedom" to spread Western thought, culture, and values. In short, opening up to the outside world has made it possible for Western hostile forces to evolutionize us peacefully even as it has given us opportunities to learn and make use of the advanced S&T and management experience of the developed nations.

Now about the impact of the ideological trend of democratic socialism in the world. In essence democratic socialism is a rehash in the new situation of the opportunism of the Second International. It does its best to deny the sharp differences between the two classes, two roads, and two ideologies. It maintains that the interests of all mankind transcend everything else. By advocating political pluralization, a market economy, social democratization, and ideological liberalization, it constitutes an anti-Marxist ideology that the Western monopoly capitalist class needs to evolutionize socialist nations. Apart from a handful of people who cling to bourgeois liberalization stubbornly, the vast majority of intellectuals, having been educated by the party for decades, manage to see through peaceful evolution and have remained vigilant in the face of its threat. On the other hand, many people have indiscriminately accepted and propagated democratic socialism from the socialist camp as a theory of socialist reform. This is a profound lesson we have learned from the international communist movement. In the new situation, therefore, there is no way we can do a good job in ideological and political work for intellectuals without seriously and diligently guiding the intellectuals to differentiate among scientific socialism, democratic socialism, Marxism, and opportunism; eradicating the negative influence of democratic socialist thinking; becoming more vigilant against

attempts by the Western bourgeoisie to evolutionize us all the time; and strengthening our faith in taking the socialist road with Chinese characteristics.

About the struggle with the ideological trend of bourgeois liberalization within the country. The ideological trend of bourgeois liberalization is the product of the peaceful evolution strategy promoted by the Western bourgeoisie interacting within China with the democratic socialism of the socialist camp. There are two things about our struggle with bourgeois liberalization that are worth pondering over. One, most intellectuals are independent thinkers who do not echo the views of others. Then how come so many people got involved in the campus upheaval, riots, and disturbances? Can it be that all intellectuals drawn into the disturbances were opposed to the four cardinal principles? What lessons can our ideological and political work draw from this? Two, most intellectuals are educated reasonable people. Why then has our ideological and educational work failed to resolve the underlying ideological problems of some intellectuals since the riots of 4 June were put down? Having discussed these issues with grassroots political workers, we have concluded that anti-bourgeois liberalization education must adhere to one distinction and come to grips with two psychologies.

Distinguish between ideological problems and problems of understanding. In the minds of people influenced by bourgeois liberalization thinking, there is a huge difference between bourgeois liberalization as an ideology and as a trend. Some people take a stand opposed to the party and the people, so the ideological trend of bourgeois liberalization exists in their minds as an ideology. Without shifting their stand to that of the party and the people, it would be very difficult to change their bourgeois liberalization consciousness. These people make up only a tiny fraction of all intellectuals, yet they are extremely influential and inflammatory and include some of the big shots in the drive for bourgeois liberalization. The vast majority of intellectuals influenced by bourgeois liberalization thinking, on the other hand, do not take a stand antagonistic to the party or the people, so their talk about liberalization is nothing more than an error in understanding. Given the right education, their erroneous understanding can soon be corrected. But the fact is that most people in ideological and political work have confused understanding problems with ideological problems, dealing with the former as if they were the latter, thus setting up a mood of resistance among intellectuals who will inevitably bury their erroneous understanding deep down inside. In the new era, therefore, ideological and political work for intellectuals must distinguish between problems of understanding and ideological problems. Launch a fierce ideological struggle against the latter, but actively guide and enlighten those with the former. Abide by the principle of not seizing on somebody's mistake, not coming down on somebody with the big stick, and not putting labels on people, and correct misguided understanding. Otherwise, misguided understanding will escalate into a stubbornly-held ideology.

Take into full consideration the intellectuals' "follow-the-masses" psychology and "follow-the-masses" behavior. So-called "follow-the-masses" psychology refers to the psychological process in which a person changes his belief in compliance with the demand of the masses. So-called "follow-the-masses" behavior refers to the actual action in which a person chooses to go in the direction of the masses. In our discussions with some young university and college teachers, many recalled that at the time they decided to join the campus movement and disturbances not because they had no idea what the consequences would be, but because it would look improper if they did not take to the street when everybody was doing so. This points up a profound social phenomenon: To counter an ideological trend on the ascendancy, ideological and political work can create a positive environment where intellectuals can distinguish right from wrong, the good from the bad, the virtuous from the evil, and help them overcome their abnormal tendency to follow the masses blindly.

Take into full consideration the rebellious psychology and rebellious behavior of intellectuals. Generally speaking, there are two types of rebellious psychology: rational and irrational. In the former case, the person is resisting and rebelling against what he believes to be an unreasonable thing. In the latter case, the rebel is only perfunctorily resisting for the sake of resisting, rebelling for the sake of rebelling. It is a morbid psychological defense whose purpose is to pass on grievances and release one's frustration. Judging from some comrades with the rebellious psychology, more people fall into the latter category than the former. The two kinds of psychology of rebellion are mainly caused by the following. One, our ideological and political education has confused ideological problems with understanding problems. Two, our theoretical education is not persuasive. Three, the formalism of our ideological and political work is boring and turns people off. Four, some instructors themselves do not have a firm stand or are problematic in some way. In the new era, therefore, ideological and political work for intellectuals must give priority to the transformation of intellectuals who are in a mood of rebellion and resistance. Step up two-way exchange. Appeal to them on an emotional level but reason things out with them as well. Skillfully and patiently guide and educate those comrades who are stubborn, extreme, and critical, and who seek to do others down. Help them look at things historically, comprehensively, and dialectically; distinguish clearly between the whole and the part, the mainstream and the tributary; and recognize shortcomings and causes correctly. Explain the results fully, the

issues thoroughly, the methods clearly, and the future directly to release them from their mood of resistance and rebelliousness.

### **Party Construction Resists Peaceful Evolution**

*92CM0142A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 11, 5 Nov 91 pp 6-8*

[Article by Gao Qixiang (7559 6386 4382): "Intensify Party Construction To Resist Peaceful Evolution"]

[Text] Our party faces two fundamental tasks in the 1990's: one, putting economic construction on a sound footing and implementing the Eighth Five-Year Plan and the 10-year Program through hard work, and two, opposing and resisting the peaceful evolution plot hatched by hostile Western forces. These two strategic missions are interwoven and nurture each other. The basic mission of socialism is to develop social productive forces. If we put the national economy on a sound footing and pull off socialist modernization, we would be laying an even stronger material foundation for the consolidation and development of socialism. The strategy of hostile Western forces to subvert and infiltrate China and practice peaceful evolution is an objective reality independent of our will. Their ultimate goal is to overthrow the leadership of the CPC, annihilate the socialist system, and restore capitalist rule. As far as hostile Western forces are concerned, this goal is immutable, something inherent in their class nature. All descendants of Huang Ti who love their socialist motherland and long to see their nation prosperous and flourishing and the people healthy and well-off, particularly CPC members and cadres at all levels, must realize soberly their historic responsibility and successfully accomplish the two historic missions. Right now we must emphasize the need to intensify party construction in the midst of the struggle to resist peaceful evolution.

### **Study the Transformation of Eastern Europe and Learn From It**

In a few short months in the fall and winter of 1989, the ruling proletarian parties in a number of socialist countries in Eastern Europe successively lost control over the state and social life, transforming themselves and even going out of existence in the process. In every Eastern European nation, the transformation had its own special reasons and background, but it teaches us many lessons. As far as the construction of the ruling party and party work are concerned, some mistakes were common to all parties and should make us sit up and take note:

First, the ruling communist party must be on guard against the "peaceful evolution" strategy of the West and organize the entire party to combat it unequivocally. After being thwarted repeatedly in its bids to intervene militarily in and impose an economic blockade on socialist nations, the monopoly capitalist class of the

West has gradually shifted to the peaceful evolution strategy in a vain attempt to annihilate socialism through a gunpowderless war. Through thoroughgoing and painstaking ideological and political work, the ruling CPC must make the whole party realize the real threat posed by the strategy of peaceful evolution to the socialist system and the ruling party itself and realistically assess its content and principal tactics. If the evolution in Eastern Europe is a guide, while the imperialist offensive is an all-out attack, it essentially relies on five major tactics. One, they use economic aid as leverage to put pressure on other nations. That is, they make foreign aid serve their strategic objectives. Two, they intensify ideological and cultural infiltration through assorted channels, emphasizing contact as a facilitator of evolution. They seek to break down the public's faith in socialism, collectivism, and patriotism by preaching the bourgeois values and way of life. Three, they enlist the services of and nurture various socialist forces within the socialist countries and support so-called "dissidents" to put together an opposition party or a pressure group, abetting them to create disturbance and seize power amid the chaos. Four, they exploit the mistakes that socialist nations have made in their work and the difficulties they encounter to turn the people against the party and government, thus strengthening the mass basis of anti-socialist forces. Five, in the guise of supporting reform in socialist nations and "influencing the direction of change," they try to steer them toward privatization economically and multi-party rule politically. It is precisely in these matters that parties in Eastern Europe lowered their guard. By slackening their struggle on the political front and especially in the ideological realm, they ultimately came to a tragic end.

Second, ruling communist parties absolutely must not compromise or make concessions. After coming to power, most communist parties in Eastern Europe had made significant progress in both economic construction and social development. The difficulties they were then facing should have been surmountable through reform and the self-improvement of the socialist system. Confronted with the offensive by domestic and foreign hostile forces, however, certain individuals in the party began echoing others' repudiation of the party's history and all its work. Marxism was attacked as a fossilized dogma, and right away some individuals in the party announced the abandonment of the guiding position of Marxism and embraced the diversification of guiding thought. Communist rule was denounced as "dictatorship," and some people in the party immediately called for amending the constitution and abolishing the party's leadership position in favor of multi-party rule. The socialist system came under attack and certain people in the party at once came out in favor of privatization and a transition toward a full-fledged market economy. The proletarian dictatorship was denounced for "human rights violations" and instantly a few party members renounced the class struggle theory in all its variations as well as the class method of analysis and abolished dictatorship in all forms. Facts prove that forsaking basic principles and making concessions endlessly will not even

earn you short-lived stability and unity. The results of compromising and making concessions are disastrous: losing power as the ruling party and losing a socialist front.

Third, ruling communist parties must not cut themselves off from the masses. In the eyes of many comrades, Eastern European parties were cut off from the masses to the extent that a handful of their leaders had become morally degenerate and corrupt and abused power. Certainly this was an important cause of the alienation of the party from the masses, but an even more essential factor can be found in their policies. Caught in the tidal wave of reform, some parties continued to cling to an old and rigid economic model and refused to correct all kinds of shortcomings. As a result, the economy stagnated while conflicts and problems multiplied, to the dissatisfaction of the public. Some parties went to the other extreme. Flaunting the banner of reform, they departed from socialism and sought to enlarge the private economy blindly. The upshot was a beleaguered state economy struggling for survival. Unable to improve their lives, most working people, particularly workers and peasants, were extremely unhappy. In short, it is their policies that cut the ruling parties off from the masses, particularly the main class forces that they relied on: the workers of large and mid-sized state enterprises.

Fourth, ruling communist parties must intensify the political, ideological, and organizational construction of party organizations across the board and make the most of grassroots party organizations as the political core. The grassroots organizations in many Eastern European parties looked healthy formally and party members accounted for a high one-quarter to one-third of the country's adult population. However, a considerable number of grassroots party organizations were not the political center at the basic level. Under a one-man leadership system, they had become mere appendages of the administrative machinery. Since their grassroots organizations were severely weakened, the parties had no working basis. Despite their large number, party members lacked a unifying force and discipline. When they came under attack by the opposition, they lost their fighting power; droves of grassroots party organizations dissolved themselves and members quit the party en bloc.

The lesson of the decay and collapse of proletarian parties in Eastern Europe is a painful one. While a true communist need not be pessimistic over this temporary setback and reversal in the long course of history, still the setback has exacted a heavy price. The only thing we can do now is to face up to it and learn a useful lesson. To avoid an Eastern European-style tragedy in China, we must put our own house in order and do a good job in party construction.

#### **Pay More Attention to Political and Ideological Principles in Party-Building**

The emphasis on political and ideological principles in party-building is our party's glorious tradition. An ability to observe and consider things from a political

perspective is a basic requirement for all rank-and-file members as well as leading cadres at all levels. Owing to a variety of reasons, there has appeared in the party for some time now a tendency to play down politics and even to act apolitically. The concrete signs of this tendency include the following: a failure to fully understand and implement the party's basic line, resulting in an abnormal "one hand tough, one hand soft" phenomenon; numerous grassroots party organizations showing no political consciousness and no sense of principle in party life; the severe downgrading of ideological and political work, including a tendency to look down upon political work; and the poor political and ideological caliber of many party members. They are indifferent to politics, have no sense of political responsibility for the party and people's affairs, and are not conscious that they are the ruling party. Even in a serious political struggle, some do not know what political stand they should take to observe and consider an issue.

To step up the party's political construction, we must integrate the party's political line with its political mission and never stop correcting the wrong tendency to deviate from the party's political line. Right now we must use the basic one—"one center, two basic points"—to unify the whole party ideologically and continue to overcome the phenomenon of "one hand tough, one hand soft." In his 1 July speech, Comrade Jiang Zemin put forward "seven musts" and "11 prohibitions" when he discussed the construction of a socialist economy, politics, and culture with Chinese characteristics. His "seven musts" and "11 prohibitions" are precisely an elaboration of the party line and a yardstick to be used in determining whether or not we fully understand and implement the party's basic line. Stepping up the party's political construction also must revolve around the central issue of the CPC being the ruling party. We must make the entire party more conscious of the fact that it is the ruling party and do a better job at it. The be-all and end-all of the deepening of political and economic structural reform is the strengthening and improvement of party leadership. Reform must never result in weakening or eliminating party leadership.

The ideological construction of the party is the basis of party construction. Its basic task is to arm the entire party with the scientific body of thought of Marxism and change the nonproletarian thinking within the party in order to preserve its nature as the vanguard of the proletariat and enable the party to be the core of leadership in the socialist period. At the moment the intensification of party construction must be closely integrated with the reality in socialist modernization and the reality in the antipeaceful evolution struggle. We must have the courage to face controversial issues and not shy away from conflicts. Only thus can we really resolve underlying ideological issues among the masses inside and outside the party and build a great wall of iron and steel against peaceful evolution.

### **Build Grassroots Party Organizations Into Antipeaceful Evolution Fortress**

The grassroots party organization is both the cornerstone of all party organizations and the political core and fighting force of the party among social grassroots organizations. It is through the political, ideological, organizational, and propaganda work of the grassroots party organization that the line, principles, and policies of the party are implemented. It is also through the grassroots party organization that the party remains in close and broad contact with the masses.

The goal of the construction of grassroots party organizations is to turn them into the core of leadership capable of uniting and leading the masses in socialist modernization as well as a fighting force capable of uniting and leading the masses in the struggle against peaceful evolution.

The basic tasks of a grassroots party organization are spelled out explicitly in the party constitution, among which the most important are to publicize and implement the party's line, principles, and policies as well as the resolutions of the CPC Central Committee, the organization at a higher level, and their own resolutions; organize party members to study Marxism-Leninism and Mao Zedong Thought in earnest and familiarize themselves with the basic facts about the party and its line, principles, and policies; and educate and manage party members. If it accomplishes these tasks, the grassroots party organization will be the fortress of the party among grassroots social organizations.

There is a lot of work for the grassroots party organization to do in the struggle against peaceful evolution. Right now its most essential job is to:

First, understand what party members and the masses really think. This is a prerequisite for setting realistic educational goals and offering effective education. It is normal for different ideas and arguments to exist in the party. Provided they do not consciously oppose the four cardinal principles or try to reshape the party to give it a bourgeois look, party members should be allowed to air their views within the party. We also have to follow the "three-no" principle. This does not amount to forsaking our principles but is on the contrary normal inner-party political life. Through study and discussion, the proletarian body of thought can be used to educate and inspire party members and raise their ideological consciousness and their ability to tell right from wrong. They then will work hard to achieve the party's objectives of struggle and mission of their own volition.

Second, educate party members about current affairs and national affairs regularly. Education in current affairs can broaden their outlook and overcome their indifference toward politics, gradually interesting them in everything, from family matters to national affairs to world affairs, and heightening their sense of political responsibility. Right now we should use the events in Eastern Europe to raise their consciousness of the danger

of peaceful evolution. We need not panic, but we must not lower our guard and slacken our vigilance, either. Instead we should more consciously abide by the four cardinal principles. Educating party members in national affairs can make them understand this irrefutable truly more clearly, namely that only socialism can save China and develop China, so that they will throw themselves into the great cause of socialist modernization even more enthusiastically, planting their feet firmly on China and starting with themselves.

Third, never stop educating party members in ideals and goals. Party members vow to "fight for communism all their lives" before the party flag. This is absolutely not a high-sounding slogan but a solemn pledge to the party and the people. More than anything else, it is this lofty ideal that distinguishes the party from the nonparty. Comrade Deng Xiaoping said a long time ago, "No matter how small or weak it was, in the past our party always had a high combat effectiveness whatever difficulties it might be facing. The reason is that we have faith in Marxism and communism. Along with shared ideals comes iron discipline. This was our true strength in the past and is our strength at present and in the future." Party members must be educated in party goals all the time. Once it deviates from the goal of serving the people wholeheartedly, the party will degenerate and its nature will change, the very condition for peaceful evolution. Particularly at a time when the country is embarking on reform and opening itself up to the outside world, party members must not depart in the slightest from the philosophy of life and value system appropriate for party members.

Fourth, launch a vigorous ideological struggle within the party properly. To build party organizations into a fortress against peaceful evolution, all CPC members must firmly combat the wave of bourgeois liberalization thinking, which violates the party's basic line. Party members must have the courage to struggle against all mistaken trends as well as evildoers and evil deeds, abide by party discipline strictly, preserve party unity, and disallow any factual activities that may split the party. The easiest way to capture a fortress is from within. Only by purifying the organization endlessly can we keep the party's advanced nature and raise its combat effectiveness.

#### Article on Art of Inculcating Faith in Socialism

92CM0181A Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese No 11,  
11 Nov 91 pp 15-16

[Article by Qiu Zhirong (6726 3112 2837) and Xue Xuelin (5641 1331 2651), secretary and deputy secretary respectively of Jiangsu's Dongtai City Party Committee: "The Art of Teaching Faith to Young People."]

[Text] In his *What Is To Be Done?* and other works, Lenin pointed out many times that a scientific concept of socialism would not develop spontaneously in the workers' movement; it could only be instilled from the outside. The socialist ideological education we launch

today embodies this Marxist principle of inculcation and carries forward the fine tradition of the party's ideological and political works.

The young people are the focal point in the teaching of socialist faith. Of Dongtai City's more than 1.16 million people, more than 40 percent are between 14 and 35 years of age. They are the ones who need to be taught to have faith the most, but they are also the ones most likely to have "mental blocks." The young people are quick to accept direct inculcation of faith, but they are also quick to use the negative information they have gathered from various sources to question such faith. Some people think that the upheaval in some socialist nations is due to their "failure to see that the future is bright" and because they regard the problems they run into in domestic reform and construction as "a torturous path that has no end," and that is why they are in this confused state of mind. After spending several months on an investigative study at the grass-roots level this year, we find that today's young people are indeed a thoughtful generation, and in a certain sense the difficulty in the inculcation of faith lies in how to answer the many thoughtful questions they have raised. The so called "mental block" is actually our emphasis of the principle of inculcation at the expense of the art of inculcation, which makes us not very attractive, appealing, nor very convincing. From the philosophical perspective, this means our ideological and political works lack dialectics and fail to seize the link between steadfastness in the implementation of the four basic principles and the young people's dynamic thinking. We can surely find this link if we combine the experiences of the many grass-roots party and league cadres, and the dynamics of this "link" can be summed into "four fear-nots" and "four guides."

1. Fear not the many incisive questions raised by the young people, but guide them in learning to find the correct answers amid the clash of ideologies. The young people have vivid thoughts and they never bury things they cannot understand; instead they like to raise sharp questions that do not have simple answers. This gives us the opportunity to make up for the flaws in the old practice of one-way inculcation where educate was "forced through," and it allows us to rely on two-way exchange to make our teaching more effective. Some young people ask, so many socialist nations have changed, how can we still say that "socialism will surely conquer capitalism?" They also ask, how come capitalism can "evolutionize" socialism but socialism cannot "evolutionize" capitalism? To answer these questions which we can neither untangle nor evade, we cannot go from concept to concept nor go from one isolated incident to another. Rather, Dongtai City's party and league organizations at all levels hold steadfast to positive inculcation through reports and short-term training on the one hand and also sort out the many questions being raised, and they hold "special-topic discussions," "lectures on the same theme," "question-answer sessions," "answer evaluation sessions" and a rich assortment of self-education activities. Through these activities, they guide the young people to use basic Marxist principles to



understand the law of social development and analyze the inevitability of socialism's eventual victory and the complicated nature of the tortuous course of socialist development. They teach them to use the actual results of the implementation of the four basic principles since the Third Plenary Session of the 11th Party Central Committee to prove that our brand of socialism with Chinese characteristics indeed has great vitality. Many grass-roots cadres have summed up their personal experiences this way: Fear not when the young people open up their hearts and raise questions about things they cannot understand. Let them liberate their thinking and seek truth and faith. This is the best way to perfect and link the young people's dynamic thinking to their steadfast faith.

**2. Fear not the young people's inclination to make lateral comparisons of our economic situation to that of the developed nations, but guide them in using a scientific method of comparison to grasp the superiority of the socialist system.** Today's education on faith in socialism has run into a real problem, and that is how to truly convince the young people of the superiority of socialism as we compare the two different social systems. The old method of reviewing our old history and making a vertical comparison between the old and the new society is looked upon by the young people of today as a closed comparison, as "backward-looking." When they conduct their own open and "forward-looking" comparisons, however, they often neglect the fact that history is a dynamic process and has its own characteristics at different stages, and therefore they fail to grasp the superiority of socialism as a real possibility unfolding before them. What is scientific comparison then? In our investigation, we noticed the method of "lateral-moving vertical comparison" adopted by some experienced grass-roots workers who work with young people. They first make a vertical comparison of the developed nations themselves and then move laterally to compare that to China's own vertical comparison, thus putting the comparing set and the reference set under the same conditions and making them more comparable. This method has produced successful educational results. The young people can see that some developed nations have had 200-300 years to develop capitalism, and the result of that development is the polarization of wealth versus poverty. China on the other hand has only had a little over 40 years to develop its socialist structure, but even before its social productive forces have reached the fully-developed stage, it has basically solved the problem of feeding and clothing its 1.1 billion people and is determined to spend another 10 years to attain a comfortable standard of living. Even the *Compilation of World Bank Charts and Tables* published by the United States at the end of 1989 showed that between 1980 and 1988, the real rate of increase in per capita GNP averaged only 3.1 percent a year in the United States, 4.0 percent in Japan, and 9.2 percent in China, which ranked first in the world. When we give play to the guiding role of this kind of lateral comparison, the masses of young people will learn that to compare the

rate of development between two different social systems, they must look at the starting point, look at the different stages, and look at the momentum, and to compare how good or how bad two systems are, they must look at the essence of whom the country's ruler really serves. Here, "look" in reality is faith. When the young people will have learned to "look," then our socialist ideological education will have succeeded.

**3. Fear not the young people's wavering conviction but guide them in learning to grasp the truth through the dense fog of ever-changing international situations as socialism forges ahead amid struggles.** The characteristics of the times and the historical environment today's young people grow up in are very different from that before the "Cultural Revolution" and even before liberation. The eruption, development, and change in every international and domestic struggle have an effect on how these young people view capitalism, socialism, and the big trend of human development. This means that positive inculcation of faith in socialism is not a war that can be won in a single battle. After discussing the teaching methods to cure the young people's wavering conviction with the grass-roots party and league cadres in our investigation, we feel that steadfast faith in socialism cannot be developed in a static environment, and so the "inculcation of faith" must reflect the dynamics of education. We feel the following method adopted by some localities in Dongtai is invaluable and can be universally adopted: First, we should guide the young people in looking back at the history of the socialist movement around the world—from the break up of and rebellion against Marxism in the Second International, its development under siege, the birth of Leninism, and the founding of the first socialist nation, and from the revolution in China at the end of the 1920's, the serious setbacks in the early 1930's, the development amid persecution by domestic and foreign reactionary forces armed with butcher knives and cannons, the eventual birth of Mao Zedong Thought, and the establishment of socialism in the world's most populous nation—so that the young people learn that struggle and setbacks are not the omen of socialism's "great defeat" but signal the eve of new development. Second, we should guide the young people in making a realistic dissection of the "evolution" in some of the socialist nations—from the plight of the communist party's loss of political power, these nations' economic collapse, widespread unemployment, heightened racial conflicts, deteriorating social order, and flood of decadent culture, and from the disappointment of the people and the eruption of angry emotions—so that the young people understand the disaster and suffering "peaceful evolution" has brought to the people of socialist nations. Third, we should guide the young people in targeting the hot points and in discerning the various bourgeois liberalization phenomena that have appeared in the forms of "new thinkings" and "new concepts" since China's reform and opening up—in light of the reactionary nature of the doctrine of "all-out Westernization" and by completely exposing the treasonous features of the "elites"—so that the young people learn that if they are to be successors of the revolution, they must become a "thinking generation," not a "perplexed generation." We have learned a good lesson from the above-described

dynamic art of inculcating faith: The principle of inculcation itself embodies the spirit of struggle and criticism. This is the quintessence of using "dynamic inculcation" to overcome "wavering conviction."

**4. Fear not the negative psychological impact on the young people brought by the "going-abroad craze" but guide them in learning to follow the track of changing times and consider the philosophical and logical difference between "going abroad" and "serving the country."** Young people who have been baptised by the spring tide of reform and opening up know that socialism is by no means synonymous with isolation and the closed-door policy. The "going-abroad craze" in recent years no doubt is very attractive to them. The problem is, the intentions to go abroad to attend school, to further one's studies, to investigate, and to launch economic and cultural exchanges have been overshadowed by the temptations to visit relatives, live abroad, and make money and by the "treasure-hunting" expeditions of the singers, movie stars, and ball-players. Of course they have a negative psychological impact on the young people, but they also remind us that only if we help them differentiate what is right and what is wrong in this "going-abroad craze" so that they understand the true essence of patriotism can we give their faith in socialism the power to resist outside interferences. To this end, we have made a concrete study of the many precious experiences of the grass-roots cadres' positive inculcation of faith and learned that we must inspire the young people to seize the essence and the principal aspects of all things and understand, based on the two fundamental points of the party's basic line, that the unification of "going abroad" and "patriotism" is the unification of the implementation of reform and opening up and the upholding of the four basic principles, and revolving around this major premise, we should let the young people discuss the goals of going abroad, the meaning of patriotism, the calls of the times for self-less dedication and sacrifice for the sake of socialist modernization, so that they consciously want to escape the strange psychological circle of blindly "following the popular trend" on the question of going abroad. At the same time, some of the Dongtai departments' grass-roots party and league organs have worked vigorously together to collect many materials and information and use typical historical and real characters and incidents to build a "treasury of ideas" on teaching faith in socialism with regard to "going abroad, patriotism, repatriation, and serving the country." They tell the young people real stories of many revolutionaries of the older generation, distinguished scientists, contemporary celebrities, and promising young people, including the moving stories of how, during the period of disturbance, some people who were living abroad went through great trouble and danger and struggled to free themselves in order to return to their homeland. The young people are ready to accept this kind of positive inculcation and education that combines theory and reality, and when they think of the sad experiences of those who went abroad aimlessly just to have their dreams of gold shattered, they will reflect calmly on the rights and

wrongs and the pros and cons of "going abroad," and they will truly hear the call and feel the inspiration of steadfast faith in socialism.

**Editorial note:** *This article provides meaningful guidance in today's activities to educate the young people on socialist faith and is well-worth reading. Of course, several aspects discussed in the article still need to be further studied and discussed. We urge the readers to continue to send in their articles, preferably separate articles on separate topics, and share with us their specific methods and results.*

**Critique on Use of Criminal Law, Civil Law**  
92CM0116A Shanghai MINZHU YU FAZHI  
[DEMOCRACY AND THE LEGAL SYSTEM]  
in Chinese No 11, 12 Nov 91 pp 28-31

[Article by Zhu Shuying (4281 2885 5391): "Distinguish Between Criminal and Civil Law, or Else Cases Will Continue To Be Misjudged"]

[Text] Once, while handling a case, I witnessed a curious scene: The court had administered a general law exam, and the judges from the criminal court, while handling the criminal law questions with ease, stumbled hopelessly over the civil law topics. This got me thinking: In any given case, criminal and civil law issues are likely to be interwoven. If the comrades who do the work of investigating, prosecuting, and trying criminal cases know little or nothing about the civil law and cannot differentiate where a criminal law infraction ends and a civil law violation begins, what kind of results can we expect in the case?

Our 2,000-plus year history of emphasizing the criminal over the civil through a system of amalgamated laws, as well as failing to differentiate the criminal and civil arenas, has given us an historical bent that cannot be ignored. Throughout China's history, the dynasties placed particular emphasis on criminal law as a means of ensuring long and peaceful rule. Voluminous legal treatises have perpetuated a common malady: Issues properly within the regulatory ambit of the civil law, such as property, domestic relations, marriage, and succession, have been resolved by resorting to criminal law concepts. And given the long impoverished development of our commodity economy, the civil law, throughout the history of our legal system, has never attained its proper position.

However, with the development of our socialist commodity economy and the continued unfolding of economic reforms, a myriad of real-life situations have emerged in our society requiring standardized handling through law. And China is now producing a torrent of civil legislation that will keep a good number of people busy for a good long time.

The enhanced efforts at creating civil legislation have led to an important legal phenomenon: Behavior that violated the law is dealt with separately either by the civil or



the criminal laws depending on the severity of the violation. An illegal act, done under ordinary circumstances with minor damages, falls within the field of the civil law. If the circumstances are more heinous and the damage great, the case falls within the ambit of the criminal law. Yet, in practice, and particularly in the filing of criminal charges, certain law enforcement personnel often display an understanding of this line of demarcation that is not in accordance with the law. Thus, many arguments ensue, and the law enforcement organs see their reputations plummet. What follows is my attempt to provide a few actual cases to illustrate the point.

#### **Coerced Into Conferring a Benefit Versus Engaging in Bribery**

On the surface, offering bribes and being coerced into conferring a benefit both entail giving monetary gifts to state employees. In reality, the two acts are of widely different natures. Bribery occurs when one uses property or material benefits to induce a state employee, an employee of a collective economic organization or anyone else engaged in public duties to take advantage of their position so that one can obtain an illegal profit for oneself. On the other hand, being coerced into conferring a benefit occurs when another person coerces or pressures one into providing money to another in a way that violates one's true intentions. This is a type of illegitimate civil act.

Yang Zhangfu [2799 4545 1381] was the manager of a certain architectural engineering company in Huangyan County, Zhejiang Province, as well as the district party branch secretary. On 26 October 1985 the county people's prosecutor indicted him in the county people's court on the two charges of bribery and embezzlement. The essential facts in the indictment that supported the charge of bribery were as follows: In October of 1984, a regional party chief meeting was held where it was determined that Yang Zhangfu's company would advance funds for the construction of private homes for five party and government leaders including the regional party committee secretary and the assistant regional party chief. Both during construction and after completion of the jobs, a representative of the home-owners repeatedly raised the point that "our wages are so low," while demanding that the account be settled using per-cost prices for the materials. Yang Zhangfu agreed to extend this favor and cut construction costs by 6,067 yuan. The home-owners continued to complain that the construction costs were too high and again suggested that Yang see what he could do for them. Collective discussion at a year-end accounting meeting led to the following agreement: 5,000 yuan would be diverted from the year-end bonuses going to the company's cadres and would go instead to the five homeowners and the director of regional construction. Also, the company was to give each of them a 1,700 yuan yearly gift. The indictment charged the company with offering 12,700 yuan in bribes, and, as the amount of bribes made by the

company as a legal entity was large, the law held the company's representative Yang Zhangfu criminally responsible.

On 4 July 1986 the county people's court convened to hear the case. Zhai Jian [5049 1696], an attorney from the Shanghai Municipal United Legal Clinic, and I prepared to defend Yang Zhangfu. Based on the facts and the law, we were convinced that the charges of bribery and embezzlement against Yang Zhangfu would not hold up in court. Yang Zhangfu took on a money-losing project, not on his own initiative and not out of a desire to reap illegal profits, but on orders from administration leaders, orders that violated his own desires. The demands put forth by these leaders left Yang Zhangfu no alternative but to do the favors being asked. Thus, with respect to the mental element, Yang Zhangfu was passively coerced into conferring a benefit on others, an act which violated his true will. Under the circumstances, his actions were illegitimate, and illegitimate civil acts ought to be dealt with in accordance with the rules contained in "The General Civil Laws."

The court concurred with some of our arguments, and on 28 July 1986 reached its verdict: It found Yang Zhangfu guilty of bribery, sentenced him to two years imprisonment, and stripped him of his 10,000 yuan "over-achiever bonus." Dissatisfied, Yang Zhangfu appealed. We remained on his case as appellate counsel, again providing a detailed exposition of our arguments, and demanded that the appeals court, by strictly differentiating between criminal and civil violations, overturn the guilty verdict. The appeals court also concurred with some of our arguments, and on 16 September 1986 reversed the sentence with respect to garnishment of the bonus but upheld the bribery conviction and the prison sentence. The court's verdict took effect, and Yang Zhangfu was sent off to a labor re-education camp. He repeatedly asked for a reconsideration. And we repeatedly went before the supreme court of Zhejiang Province to explain the situation and demand that the court re-hear Yang Zhangfu's bribery case in accordance with the court's sentencing supervisory procedures. Under the concerned guidance of the provincial supreme court, the lower appeals court convened a collegiate bench to re-hear the case. On 1 May 1987, the court rendered its solemn verdict: Yang Zhangfu's actions did not constitute criminal behavior. The court overturned the original verdict and acquitted Yang Zhangfu of the criminal charges. Not long afterward, Yang Zhangfu was restored to his positions of manager of the architectural engineering company and party branch secretary.

In a certain sense, Yang Zhangfu's case, from the day it began to the final acquittal, represented a process whereby those handling the case learned how to recognize and better handle civil law cases, as well as how to clearly differentiate between civil and criminal law. The problem is—this learning process ought not happen in a specific case where a man's liberty is at stake. Here, Yang

Zhangfu, an entrepreneur influential throughout the region, was incarcerated a total of 538 days while this process played itself out.

#### **A Partnership of Individuals or an Organization With a Separate Legal Existence**

Not surprisingly, Zhai Jian and I also handled the following case in Ju Village, Huangyan County:

A municipal construction brigade in Ludong City, as well known in the area as Yang Zhangfu's company, was headed by a man named Ye Xiangyou [0673 6116 0645]. In early 1984, 19 individuals led by Ye pooled their funds and formed a partnership with 110,000 yuan of working capital. The contributing partners personally signed their names on the partnership agreement. Aside from the individual contributions, the partnership also borrowed 120,000 yuan worth of equipment from the city government at a cost of 800 yuan per month. The contracting agreement stipulated that: In addition to paying taxes and profits to the higher authorities, the group would pay an administration fee equal to three percent of the gross value of its production to the village. The agreement also provided: The contractors would, during the contract period, determine by themselves how much money to draw and disburse prior to paying state taxes. Reforms stimulated individual initiative, and that year Ye Xiangyou's construction brigade did a superlative job completing the Zhongdong River "Sanbaoming Channel" connecting Hangzhou's Qiantang and Dayun Rivers, as well as contracting for such jobs as the Shanghai "Yugang Water Diversion Project" among others. The construction brigade completed 5,870,000 yuan worth of projects that year and paid out 1,710,000 yuan in profits to the higher authorities. Because the business prospered so well, the partnership, in accordance with the provision in the agreement allowing for pre-tax disbursements, arranged for the distribution of 690,000 yuan in excess monies, with Ye Xiangyou and the rest of the partners receiving shares of the monies proportionate to their initial investments. Ye Xiangyou himself received 46,000 yuan.

The county prosecutors investigated the matter, repeatedly analyzing the arrangement using concepts from the criminal law, and by arresting and jailing Ye Xiangyou, demonstrated their inability to grasp the true nature of the case. In November of 1985, the county prosecutor's office issued a cable ordering Ye Xiangyou, who was then in Hangzhou overseeing a key project, to return to Huangyan County for investigation on charges of bribery. In February of 1986, Ye was jailed on charges of tax fraud, and on 20 June 1986, he was indicted on charges of embezzlement. We knew that "bribery," "tax fraud," and "embezzlement" were three different criminal charges composed of different elements.

Ye's case went to trial on 23 September 1986, more than five months after China's "General Civil Laws" had taken effect. In "The General Civil Laws," the rules relating to "partnerships" are found in chapter two

dealing with "citizens." Article 30 of "The General Civil Laws" provides: "A partnership of individuals refers to an arrangement whereby two or more citizens, by agreement, put up such things as capital, materials, and technology, manage their arrangement as partners, and combine their labors." What is a partnership of individuals? Is it a legally-existing entity? I never would have thought that these two questions would be the main points of contention between the prosecution and the defense in Ye's embezzlement trial.

The prosecution: When the 19 individuals, including Ye Xiangyou, pooled their funds to undertake contracts, it did not change the collective ownership nature of the construction brigade. Thus, when Ye Xiangyou withdrew the monies, upon which taxes had not been paid, and distributed them among the 19 private partners, a collective was in effect embezzling public funds.

The defense: Ye Xiangyou's construction brigade that entered into contracts in 1984 was neither an ownership by the whole people organization, nor was it a collective ownership organization, but was instead a new form of economic organization, the outgrowth of intensified economic reforms. It was a partnership of individuals similar to, but not actually, a legally-existing entity. It was, in effect, an entity, but not a legally existing one. It met the basic criteria of pooled funds, joint management and labors, and joint sharing of profits and risks necessary for a partnership of individuals, and since it was a partnership, the basic element of the crime of embezzlement is not met and what happened cannot constitute embezzlement.

The prosecution: Individual contributions made up less than one-third of the total investment. The remainder was either leased or borrowed. So, upon what does the counselor base his argument that the nature of the enterprise was not one of collective ownership?

The defense: Whether leased or borrowed, in the end all had to be returned. If what the prosecution says is true, then an enterprise operating under collective ownership need only to possess more funds that have been borrowed from a state bank or a foreign business than it possesses funds of its own, and it will then be classified as an ownership by the whole people enterprise or a foreign capital enterprise, right?

The two main civil law issues in the case were not resolved in the trial court. The judge announced the verdict: "The defendant Ye Xiangyou is guilty of the crime of embezzlement and is hereby sentenced to six years imprisonment."

Dissatisfied, Ye appealed. At the request of his lawyers, the Taizhou district intermediate court of appeals convened to hear Ye Xiangyou's embezzlement case. On 30 December 1986, the day before China's "General Civil Laws" formally took effect, the Taizhou appeals court rendered a final verdict: It found that Ye Xiangyou's actions did not constitute embezzlement, it overturned

the original sentence of six years imprisonment, it found Ye guilty of tax fraud, and it released him from jail, exempt from punishment.

Ye Xiangyou, freed from prison yet stigmatized, immediately was restored to his former position of leadership, and, with Huangyan County holding elections for representatives to the Ninth National People's Congress, Ye Xiangyou ran and won a seat by a considerable margin of the vote.

#### **Four Crimes in One Case—How Could They All Be Misjudged?**

In September of 1987, I received a letter from Xie Chenglan of Nankang County, Jiangxi Province who asked that I help get legal redress for her husband Wang Jianchun [3769 1696 2504] who had been convicted of embezzlement, accepting bribes, tax fraud, and dereliction of duty, and had been sentenced to four years and six months imprisonment. At the time, Wang had already served 24 months of his sentence.

Because of the poverty and underdeveloped commodity economy in this old liberated area, certain comrades in charge of handling cases of economic crime had only the faintest understanding of the civil law, and their propensity to prefer using criminal law over civil law in handling their cases was even more pronounced.

The main reason that Wang Jianchun was wrongly convicted of all four crimes is: The legal relationships in his case that dealt with civil, economic, and/or administrative matters were all analyzed from a criminal standpoint and resolved by criminal means including a prison sentence. How can there not be errors in such a case?

The county prosecutor's office arrested Wang Jianchun. On 5 April 1986, Wang was indicted in the county people's court on charges of embezzlement, accepting bribes, tax fraud, and dereliction of duty. On 17 April 1986, the county people's court found Wang guilty and sentenced him as follows: Embezzlement (12 months), accepting bribes (18 months), tax fraud (12 months), and dereliction of duty (36 months). The total sentence on the four counts came to six years. Dissatisfied, Wang appealed. The appeals court upheld the verdicts but reduced the sentence to four years and six months.

So, what factual and legal basis did the trial court and the appeals court have for finding Wang Jianchun guilty of the four crimes?

The facts of the embezzlement case were as follows: As head of the tax bureau, Wang Jianchun was responsible for the tax bureau's basic construction project in 1984. As a way of saving construction project funds, Wang had the tax bureau workers take time off from their tax bureau jobs during slack periods to work on odd facets of the construction job themselves, things like finishing up the kitchen and the retaining wall, etc. Wang then decided to use construction funds to pay everyone for their labors. He himself received 193 yuan. And there

was the matter of the 440 yuan worth of materials purchased for installation of water and electricity, the accounts of which had not been set straight. Also, Wang suggested that wood scraps torn down from the old tax bureau building be re-processed and sold, and since there was no room to temporarily store the scraps in the tax bureau building, they were stored at Wang's home. The profits off the scraps come to 200 yuan. This whole sum was personally taken by Wang, but the sum taken did not satisfy the elements of the crime of embezzlement. At most, his acts were not entirely in accordance with financial system procedures.

The facts of the bribe acceptance case were as follows: In February of 1985, the village government decided to honor advanced collectives, and it drew 1,050 yuan from the collective business chest and awarded it to the tax bureau as a bonus. Wang Jianchun personally got 450 yuan. Wang also sent a notice requesting that tax bureau employees be given an additional year-end bonus. This was approved, and the head of the municipal accounting office sent the bonuses to the tax bureau, 300 yuan of which went to Wang. These bonuses were all made in accordance with the proper examination, approval, and disbursing procedures, but those handling the case viewed it as if Wang was soliciting bribes from the city government leaders, and concluded that Wang did accept bribes. What Wang did had absolutely nothing to do with accepting bribes.

The facts of the tax fraud case were as follows: Nankang County, an old revolutionary base area, allowed for a certain favorable tax practice. Village residents who were selling export products could apply, prior to the sale, for an export sale certificate from the tax department. Then, after the sale had been concluded, they were to go to the tax office that issued the certificate and pay their taxes. Wang Jianchun issued export sale certificates to a total of 17 village residents who should have later paid 9,300 yuan in taxes. However, they did not report back to the tax office in a timely fashion to pay their taxes. Wang was held responsible for not aggressively pursuing them. Whether or not that was justified, he still should not have been found guilty of tax fraud. Wang Jianchun was not even one of the taxpayers in question, so how could he be charged with tax fraud?

The facts of the dereliction of duty case were as follows: In Chitu Village, there was a certain village enterprise, a farm products company, that deliberately failed to keep current its accounts, employing shady practices to defraud the government out of large sums in taxes. In April of 1985, Wang Jianchun discovered the company was committing tax fraud and proceeded to investigate. He collected the company's consolidated invoices and took them back with him to the tax bureau. He checked them one by one, and created his own record of every sale, the invoice numbers, and the dates of the transactions. Incredibly, the court found that the tax cadre's work (if he in fact did overlook anything), was the reason the taxpayer committed the fraud. The verdict read: "During the time that Wang Jianchun was head of the

Chitu Village tax bureau, he failed to closely monitor tax-paying units and carry out his duty to collect taxes and enforce the tax system. For this reason, the Chitu Village farm products company was allowed to defraud the government of 150,000 yuan in taxes without being caught." The trial court and the appeals court both used this as a basis for finding Wang Jianchun guilty of "dereliction of duty," and they sentenced him to three years imprisonment.

Clearly, looking at the facts found by the court to support Wang Jianchun's conviction of the four crimes, certain acts were in the normal exercise of his job authority, like sending off the request for the bonus, and were within the scope of administrative relations; other acts were mistakes that violated the work system, like issuing the export sale certificates and then failing to follow up on the tax collection in a timely fashion. How can these situations be linked to criminal activity? How can they be analyzed from a criminal standpoint, and how can they be pursued with the aim of attaching criminal responsibility? My actual investigations revealed that the facts and the law used to convict Wang Jianchun of the four crimes were erroneous. Thus, exercising my powers as an attorney to accurately state the facts and present suggestions to departments concerned, I wrote a "Report Proposing Re-Investigation in the Case of Wang Jianchun" and sent it to the Supreme People's Court, the Supreme People's Procuratorate, the State Bureau on Taxation, and the supreme court, supreme procuratorate, and provincial tax bureau of Jiangxi Province, among other units. Leaders of the State Bureau on Taxation added their comments to my report, and dispatched a two-man department head team to Nanchang County accompanied by comrades from the provincial tax bureau of Jiangxi for the purpose of investigating the case. The investigators reached the same conclusions I did in my report.

However, in 1988, Penal Supervisory Notice Number 26 issued by the intermediate people's court upheld the verdicts of the trial and initial appeals courts and found, as did the initial appeals court, that "the convictions and sentence are correct, Wang Jianchun's appeal is dismissed, the original decision stands, and Wang should comply and cease further appeals." I again went to Nanchang and directly presented my views to the appropriate department of the supreme people's court of Jiangxi Province, asking that they re-investigate. The higher level court intervened and directed the Ganzhou intermediate court of appeals to look at the case. It took the case on a petition for probation in December of 1988, and released Wang Jianchun, who had at that point served three and a half years, from prison. Later, the supreme court of Jiangxi directly reviewed the case and only then was it discovered that the facts and the law used to convict Wang Jianchun were erroneous. The court directed the Ganzhou intermediate court of appeals to re-hear the case. On 22 September 1989, the criminal and civil distinction in the case that we had been appealing for two years was finally drawn in a clear

fashion. Penal Supervisory Notice Number 22 (1989) issued by the Ganzhou intermediate court of appeals determined that the original verdict finding Wang Jianchun guilty of the four crimes of embezzlement, accepting bribes, tax fraud, and dereliction of duty was inappropriate, and the court overturned the verdicts of the trial and initial appeals courts, declaring Wang Jianchun innocent of the crimes. On 25 April 1991, Wang Jianchun was restored to his party and administrative positions.

Some have said that the reason Wang Jianchun was erroneously convicted of the four crimes in the case was that the prosecution got "nit-picky" about certain issues. If this be the case, then this tragic "nit-picking" inflicted on Wang Jianchun, a state tax bureau cadre and a communist party member, could only have resulted from a failure to distinguish between criminal and civil law and between criminal and noncriminal acts. What a serious and painful learning process.

#### How Can Prosecutors Engage in Such Nit-Picking?

Illegal possession of public property is the essence of embezzlement. If one tries to prove that a person is guilty of embezzlement though he did not possess public property, one is engaged in nit-picking.

On 6 August 1989, the prosecutor's office arrested Zhao Donglin [6392 0392 2651], the contracting manager of the Ganzhou District Non-staple Foodstuffs Company, on the charge of embezzlement. The arrest of Zhao Donglin created an uproar throughout Ganzhou district.

At the end of 1987, the Jiangxi Provincial Party Committee and the provincial government jointly arrived at the following decision: Beginning 1 January 1988, they would open up the Ganzhou district as an experimental zone for reforms in Jiangxi's economic system. The idea for implementing the economic system reform experiment in Ganzhou district, as conceived by the Ganzhou district party committee and the provincial administration, ran as follows: Under the guiding principles of complementing, perfecting, intensifying, and developing, enterprise management reforms would be combined with a plant-director (manager) responsibility system, and qualified managers would emerge through the process of competitive selection.

In March of 1988, the commerce and finance bureaus of Ganzhou district, as contractors, put out a public notice that they were looking for a well-qualified individual for the position of contracting manager for the Ganzhou District Non-staple Foodstuffs Company. The District Non-staple Foodstuffs Company was a large commercial enterprise operating under the district's ownership by the whole people system. In the three years between 1985 and the end of 1987, the company only paid out 2,929,000 yuan in profits to the government, but the contractors required the contracting manager to earn 3,210,000 yuan in clear profits during the three years. Zhao Donglin, an assistant manager of a company, put in

his application and, after presenting a package of good-looking proposals and plans, was selected for the job due to his superior proposals. On 26 March 1988, Zhao Donglin and the Ganzhou district commerce and finance bureaus signed a "Contracting Manager Agreement for the Ganzhou District Non-staple Foodstuffs Company" that went into effect after certification by the labor and commerce administrative management bureau of Ganzhou City. With Zhao Donglin leading the way, the company employees went to work, and after 18 months the company had earned 4,075,000 yuan in pure profits, an outstanding achievement surpassing the three-year target by 26.9 percent.

I should point out that the prosecutor's office acted very carefully before arresting Zhao Donglin, a successful entrepreneur. Only after 203 days of investigation did the city prosecutor, on 7 March 1990, bring charges of embezzlement before the city people's court. On 2 April, the court remanded the case to the prosecutor for additional investigation of the facts. Nearly four months passed until the prosecutor's office again filed the case in court. On 20 August, the court again remanded the case because the essential facts were not clearly established and the evidence was contradictory.

After two re-investigations, the court convened on 10 November 1990 to hear the case against Zhao Donglin. And on 21 June 1991 the court released Zhao Donglin on bail. Based on the facts and the law in the case, I felt that the prosecutor's accusations against Zhao Donglin were erroneous because they failed to fully grasp both the pertinent civil laws of our nation and the spirit that underlies them. The facts were: The Qili Street Motor Transport Corps and Zhao Donglin's company had enjoyed a long business relationship. In January 1988, the Transport Corps engaged to haul refined white sugar to Shangrao for the foodstuffs company. An accident occurred during the trip, causing sugar to be dumped along the wayside and discarded, and forcing the two enterprises into a position of making compensation for the loss. Zhao Donglin decided to withhold 10,512.65 yuan from the transport fee owed to the transport company and to remit it to the unit in Shangrao that bought the sugar. Later, the transport corps demanded that Zhao Donglin look for opportunities, in the business conducted during the remainder of the year, to subsidize their loss. Zhao Donglin agreed and devised a plan to collect the money from sugar sales price mark-ups. He sold, at wholesale, 12 tons of white sugar to the Zhongshan Street wholesale department of a certain nonstaple foodstuffs company, and made 13,000 yuan profit through price mark-ups which he then transferred in two separate entries onto the financial account of the transport company.

The prosecutor's office concluded that the transfer of the 13,000 yuan from the Ganzhou District Non-staple

Foodstuffs Company, an enterprise operating under ownership by the whole people, to the account of the Qili Street Motor Transport Corps, a collective ownership enterprise, should be handled as a case of individual embezzlement on the part of Zhao Donglin. It based its conclusion of criminality on the following: The vehicles belonging to the transport corps were individually contracted out, and when one of the vehicles had an accident, an individual should be responsible and pay for the damages. When Zhao Donglin gave the mark-up profits belonging to the Non-staple Foodstuffs Company to the transport corps, the individual who originally should have paid for the loss did not do so, and this was the equivalent of embezzling public funds. Thus, the reality was that Zhao Donglin had embezzled public funds. Clearly, this sort of analysis and reasoning is incorrect. In order for this reasoning to stand up, a premise is required: Namely, that when transportation accidents are incurred by enterprises operating under the collective ownership system, an individual should be responsible and should pay for the damages. The problem is, this premise flies in the face of our civil laws.

Article 43 of our "General Civil Laws" says: "The enterprise, as a legal entity, shall assume civil responsibility for the business activities of its lawful agents and other employees." The Supreme People's Court, in Article 58 of its advisory opinions (experimental implementation) dealing with implementation of "The People's Republic of China General Civil Laws" further clarifies the matter: "When lawful agents and other employees perform business acts in the name of the enterprise as a legal entity and subsequently inflict economic losses on others, the enterprise, as a legal entity, should assume civil responsibility."

Only when one fails to understand and implement the above-stated civil laws, can one set up the premise that "civil liability for business acts done in the name of the collective (a legal entity) shall be borne by an individual." How can this sort of reasoning, based on erroneous premises, ever lead to a correct result?

The cases related above all raise the issue of just how competent those handling criminal cases really are. Our nation's laws are implemented by specific individuals charged with law enforcement, and the quality of those individuals directly affects how correctly our laws are implemented. To a large extent, the work quality of those handling cases depends on their familiarity with and grasp of specialized legal knowledge. When those handling criminal law cases are not familiar with and do not grasp our civil laws, it is difficult for them to improve in the performance of their jobs, and inevitably this makes it difficult for the quality of our law enforcement to rise. If we know how to prosecute but fail to understand the substance of the laws, a given incident or act will often be handled in a way that leads to results contrary to law, and erroneous judgments will frequently be made.

## Prison Life in Qinghai Reform Through Labor Farm

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[Article by Zhu Kexin (4281 0344 6580) and Fang Changfu (2075 7022 1381): "Land of Fresh Start—Reports From the Haomen Reform Through Labor Farm in Qinghai"]

[Text] It was snowing.

The swirling snowflakes soon covered the distant Daban Mountain and the endless rape fields with a white coat.

It was 27 August 1991, when most parts of the motherland were still sweltering in oppressive summer heat, but the Haomen Reform Through Labor Farm, at 3,200 meters above sea level in Haibei Tibetan Autonomous Prefecture, Qinghai Province, was already shivering in winter cold.

Here is a mysterious domain almost completely cut off from the outside world, a special school composed of cadres and convicts of the reform through labor farm.

### Penitent Convicts

On the evening of 25 July 1991, hundreds of millions of people in China watched the television show entitled "Standing Together Through Thick and Thin, Heart-warming Compassion Filled the Land," a benefit performance to raise funds for disaster relief. They saw an extremely moving scene: A convict, now serving time, donates 100 yuan, which he has earned by working in prison, to people in the disaster area.

But for the Haomen Reform Through Labor Farm, this was late news.

On 18 July, the inmates of the 6th Da Dui were the first to propose a fund-raising drive and donated 314 yuan in one hour.

Soon afterwards, 115 inmates of the 3d Da Dui donated 526.4 yuan. Yang Yongbao, a convict from Zhejiang, returned from a medical appointment and immediately donated all of the 150 yuan he had saved. He said: "I committed an unforgivable crime in my hometown in the past. Now the people in my hometown have been hit by disaster. Please give me an opportunity to atone for my crime."

Even though the amounts are insignificant, compared with the tens of millions of yuan raised, the light of instinct and reason that flashed from these twisted souls are most precious.

## From Self-injury to Self-renewal

Have you seen anyone eating iron wire, three pieces of iron wire as long as chopsticks and as big as mung beans thrust into the throat and pushed down the esophagus with a finger?

It was not a demonstration of breathing exercise. It was an act of self-injury, an extreme way used by hardened criminals to resist reform by maiming their own bodies.

Gui Weihua, a prisoner from Shanghai with large eyes and high cheekbones, opened his jacket and exposed a knife scar more than a half foot long on his abdomen. That was the mark left from the emergency operation after he ate the iron wires, which pierced through his stomach and had to be surgically removed.

He was born to an ordinary worker's family in Shanghai's Nanshi District. He is now 29 years old. When he was 17, he was sentenced to 10 years' imprisonment for hooliganism and robbery. Shortly after he went to prison, he tried to escape, and a year was added to his sentence. Later on, he started a free-for-all in the prison, and another year was added to his term. In 1983, he was transferred to Haomen.

The harsh natural environment in Qinghai and the prosperity of metropolitan Shanghai formed a striking contrast, and it made Gui Weihua hostile and try to end his own life. So the above-mentioned scene occurred.

Gui Weihua's life was saved, thanks to the rescue efforts made by the farm. But his antagonism remained.

Southerners like rice. Here nearly 40 yuan is spent on food for each person each month, better than the average living standard of the people in surrounding areas, but the main staple is wheat.

One of the prisoners from Shanghai was called Xie Kangmin. A well-educated man with a glib tongue, he virtually became the "leader" of the inmates from Shanghai. Because some inmates complained about eating steamed bread, Xie Kangmin organized a gang of "anti-reformers" and forced the other inmates to stage a hunger strike.

For a while, there was chaos in the prison. Gui Weihua tried to take the opportunity to escape. He and two other inmates sneaked into an empty prison cell and started to dig a tunnel toward the outside. The straight distance from the cell to the outside was only eight meters. They dug for two days and two nights. All the food they brought with them was consumed, and they were exhausted. When they broke surface, they found themselves still inside the prison wall, because the tunnel was off the straight line.

The cadres tried in many ways to defuse the tension, but Xie Kangmin and the others turned a deaf ear to their pleadings. After five days without budging, many of the inmates were on the verge of death. Discipline Section

Chief Gu Shimin was desperate: "If you are afraid to come out, I will go in to talk with you."

Xie Kangmin and his companion demanded: "Only you may come in, alone and no weapon."

Alone and unarmed, Gu Shimin went in to deal with a bunch of extremely vicious criminals. He talked to them with both feeling and reason, finally divided and demoralized the inmates' "camp," and saved the lives of all the inmates.

Seeing all this with his own eyes, Gui Weihua wondered: For whom are the cadres doing this? And for what are we doing what we are doing?

This time, Gui Weihua was given another five years sentence for causing trouble in prison and attempting to escape. As the instigator and organizer of the prison disturbance, Xie Kangmin was sentenced to death. Before his execution, the two had a chance to see each other. Xie told Gui: "Weihua, I am really sorry. You must not follow my example." Right then, Gui Weihua broke into tears.

After the incident, the Zhong Dui political instructor looked Gui Weihua up and told him: "If Xie Kangmin had followed the correct path, what a good material he could have been, but he was destroyed. You'd better do some careful thinking. There is no future following his example. Your only hope lies in accepting reform."

Since then, Gui Weihua has made up his mind to follow the correct path and earnestly accept reform.

He is now the statistician of the First Zhong Dui, Third Da Dui, Haomen Farm. Last year, he was elected an activist in reforming through labor of the farm. It is learned that there is a strong possibility that his sentence will be commuted.

#### Awakening From a Nightmare

A counterrevolutionary inmate was commended seven times by his Da Dui, cited once for meritorious service, elected an activist in reforming through labor at his farm, and had his sentence commuted by two years. He is a special example among inmates convicted of similar crimes.

His name is Weng Guoqiang. Born to a cadre's family in Zhoushan City, Zhejiang Province, he served in the Army, joined the party, and, after discharge from the army, worked as a bailiff in a basic-level court. At first, he had a bright future. However, he was possessed by the confusing and bewitching propaganda from the other side of the Taiwan Strait and abandoned the people who had nurtured and trained him.

On the night of 12 May 1981, Weng Guoqiang and 15 others hijacked a fishing boat and sailed out to sea in the darkness.

Before his departure, Weng Guoqiang made some elaborate preparations. He brought with him a 5-4 model pistol (Taiwan radio broadcasts clearly stated it could be exchanged for five taels of gold) and forged two letters of introduction from the court, which read: "Now an anti-communist and national salvation group headed by Weng Guoqiang (CPC member) is going over to the Free Motherland, and contact with the Taiwan government is requested." He brought these as his capital to claim credit and seek rewards.

The boat arrived in Chilung. When they landed, they were promptly put in a prison van, sent to Taipei that same night, and locked up in a place, which was called a guest house but was in fact a prison, to be "screened and examined."

Weng Guoqiang asked for the promised five taels of gold. The other side pointed a pistol at him, saying: "Five taels of gold? I will sell mine for three taels. Do you want it?" He was so scared that he dared not open his mouth again.

More than a month later, they were escorted to the "Mainland Refugees Relief Center" in Penghu. After all relevant information on the mainland was squeezed out from them, they were asked to accept the "government's" assignment to sneak back to the mainland and wait for further orders.

On 11 August, they were forcibly given narcotic injections. Then, hands and feet tied up like pigs and eyes and mouths sealed with tapes, they were squeezed in a small boat and towed out to sea by a gunboat.

On the way, the small boat was capsized by the waves. One man drowned. Another died after being brought back on board.

When the boat arrived off the Fujian coast, it was cut off and abandoned, and the men were left to return to the mainland on their own.

Thus, more than 80 days after they went over to the "free world," 14 men and a corpse huddled in a small boat, drifting with the tide and anxiously waiting to be rescued by the kinsmen they had forsaken.

Weng Guoqiang was sentenced to 13 years' imprisonment for his crime as an active counterrevolutionary.

While serving time in prison, he wrote a letter to the ZHEJIANG YOUTH magazine, in which he said:

*Our fanatic attempt to cross over to the other side only landed us in a deathtrap. Our ingratitude and betrayal have not been returned with disdain and denial. How can I not be moved by the comparison?*

The lawful and reasonable judgment have relieved me of my fears. The earnest education has kindled the flames



in my heart. I feel deeply that only the people's government led by the communist party can be so magnanimous. Here I see not only the bright future of the socialist motherland but also the hope for an unfilial son like me.

"I have realized that I cannot change the past, but can pursue the future. Really I have not gone too far on the wrong way. I know I was wrong yesterday, but I am right today." I want to present this true story of my awakening from a nightmare to people of my age so that they can get some useful guidance from it.

### The Story of "Little Shot-Dead"

Zhou Guanbao was born a desperado. Fighting has almost become his addiction.

He was only 13 when he struck a man three times on the head with a kitchen knife, for which he was sentenced to two years in a juvenile control institution. Shortly after his release, he almost stabbed a man to death with a scraper and was sentenced to six years imprisonment.

While serving his sentence in Zhejiang, because of fighting with other inmates, he was put in solitary confinement for a total of eight months in just two years, and his sentence was lengthened by 15 years. Other inmates said to him: "You are so young and so bad. Sooner or later you will be shot." Thus he got a nickname, "little shot-dead."

Learning of his added sentence, Zhou Guanbao's father, now over 70, came to see him for the last time. His father said: "What did I do wrong in my previous life to have a son like you? I have given up hope and will pretend that you do not exist." He answered: "You don't have this son, and I don't have a family. Anyway I will be sent to the Northwest, and I do not plan on coming back alive."

Zhou Guanbao was thus sent to Qinghai.

On the first night of his arrival, he caught cold because he was unaccustomed to the weather. Wang Quande, then fen dui leader, sent him to the hospital.

After recovery from his cold, Zhou Guanbao continued his old ways. He refused to work, did not obey orders, and was placed in confinement. While in confinement, he deliberately swallowed a spoon. Wang Quande saved his life again.

From then on, Wang came to see Zhou Guanbao every evening, and they often talked late into the night. Wang said: "Zhou Guanbao, think it over. Whether you choose to be a good man or a bad man, you will spend the same 24 hours each day. Be a good man and your sentence can be commuted. Be a bad man and your sentence can be increased. Which is better after all?" Zhou Guanbao answered: "Who can believe what you say? My sentence has never been reduced, but has been increased by 15 years."

Later on, Wang learned about Zhou's family. He found the address from the files and wrote a letter to the family.

One day, Wang called Zhou into his office and handed him a letter from his mother. Zhou opened the letter, which read: "Guanbao my son, we received your fen dui leader's letter, and everyone at home was deeply moved. If you still refuse to reform, who else can you let down?"

After reading the letter, Zhou Guanbao felt a warmth at heart, but he continued to show an expression of indifference. Just then, Wang received a telephone call. It was from the hospital at the farm headquarters. Hanging up the receiver, Wang smiled: "I just had a daughter. I hope from now on I can also see a new person in you."

Zhou Guanbao could pretend no longer. Fighting back tears, he said: "You are so kind to me. Everyone has a heart. I will try."

Three months later, Zhou Guanbao was commended for the first time in his life. Six months later, he was given a credit for good work. From then on, he was given credits on many occasions. In October 1987, his sentence was reduced by two years. In October 1989, it was again reduced by one year.

Notified of his reduced sentences, Zhou Guanbao's parents could not believe what they heard. They wrote to fen dui leader Wang Quande to find out if it was true. In his reply, Wang told the family to stop worrying because Zhou Guanbao has chosen the correct path.

Zhou's aging father wrote: "I thought that I could never see you again in my remaining years. Now it seems that there is still hope. I will try to live as long as possible and wait for you to come home."

Zhou Guanbao said: "Since 1986, I have not fought or cursed anyone. I may get another reduction in my sentence in the very near future."

### Two Generations on the Job

"I am willing to dedicate my youthful years, then my entire life, and then my children and grandchildren, to the motherland." This is what cadres of the reform through labor farm often say. Outsiders can hardly understand the feeling in these words. The change and progress of the inmates are the results of this dedication by generation after generation of the cadres on the farm.

The Haomen Reform Through Labor Farm was founded in the early 1950's. Its cadres included disabled soldiers, armymen transferred to civilian work, and cadres willing to work in the border regions from all parts of the country.

More than 30 years have elapsed. Most of these pioneers are now over 60 years old and retired from work. Their children have taken over their jobs and worked quietly on this vast and barren land.



According to statistics, more than 80 percent of the present cadres at the Haomen Reform Through Labor Farm are descendants of the pioneers.

Perhaps after some more years, the people we will see here will be their third generation.

#### A Lamé Hero

26 November 1988, Jinhua, Zhejiang.

Li Zhile, a staff member of the Discipline Section, Haomen Reform Through Labor Farm, was on his way back to Hangzhou on leave. He took the opportunity to pay a visit to this city, which he had not seen for many years.

Li Zhile is a disabled soldier. His right foot is crippled, wounded by a bomb blast in Korea. In 1958, he responded to the party's call and, despite his lame foot, went from the land of plenty south of the lower reaches of the Changjiang River to the Qinghai plateau, where he has worked for 32 years.

By chance he ran into a man who was released from Haomen and returned here. The man said that he had seen a fellow inmate of his at Haomen by the name of Zhu Zujian.

The casual remark fell on an attentive ear and immediately put Li Zhile on the alert.

Zhu Zujian was a local villain in the Jinhua-Pujiang area. He was given a death sentence with a two year reprieve and forced labor for hooliganism, rape, and swindling, and the sentence was later reduced to life imprisonment. On 21 September, he escaped from Haomen. Efforts were made to track him down without success. Unexpectedly he was back in Jinhua.

Li Zhile made a quick decision to forgo his leave and catch the fugitive. He quickly established contact with the local public security organs and then began to walk through streets and alleys to track down the escaped criminal.

Jinhua is a big city with a million people and countless tall buildings. It was like looking for a needle in a haystack for Li Zhile with his crippled foot to catch the fugitive.

Two days passed. Li Zhile almost searched every corner of Jinhua City, but no trace of Zhu was found.

At night, Li's wife, who was with him, rubbed his crippled foot, which was swollen like a loaf of bread, and urged him anxiously: "Give it up if you can't find him. You are on leave anyway." Li shook his head: "No. Zhu is a dangerous criminal. As long as he is out there, he is a danger to society. How can I not be concerned?" The next day at 6 o'clock in the afternoon, a lead was found. Someone saw Zhu Zujian near the railway station.

There was no time to lose, not even to notify the public security organs. Dragging his wife along, Li rushed

toward the railway station. Finally he confronted Zhu Zujian at the railway station square.

Now, on one side was a husky fugitive, and on the other were two frail old people. If the criminal became desperate, the consequence was not hard to imagine. But Li Zhile gave no thought to what might happen. He stepped forward, grabbed the criminal's collar, and shouted at the top of his voice: "Zhu Zujian, where are you going?"

The criminal struggled desperately. Li Zhile's wife also rushed over and held the fugitive tightly with both arms. Finally Zhu Zujian allowed himself to be captured without putting up a fight.

At the end of his leave, Li Zhile returned to Qinghai, bringing back the captured fugitive with him.

#### "Kindhearted" Political Instructor

The inmates of the First Zhong Dui, Third Da Dui, call their political instructor Liu Fengcai a "Buddha."

When a prisoner is sick, he would make chicken soup at home and bring it to the prisoner's bed.

On the eve of the lunar New Year, he would bring goodies to the prison and spend the night together with the inmates.

Shen Miaojiang had served his sentence and was to be released in 10 odd days, when he received a telegram that his mother had died of illness. In order to get him released ahead of time, Liu Fengcai went several times to the farm headquarters, but there was not enough time for any action to be taken. On the day before Shen's release, Liu walked more than 20 li to the post office to get the money for Shen's travel expenses. He told Shen: "You are unable to attend your mother's funeral, but don't blame me." Shen cried and held Liu's hand: "Instructor, I appreciate your kindness."

Even in dealing with inmates who have broken the prison rules, he always talks to them in a kind and pleasant manner. When the offender is unreasonable and hostile, he does not get angry, but always say: "You go back and think it over. When you cool down, I will talk to you again."

It is a wonder that the First Zhong Dui, to which he belongs, has been an advanced Zhong Dui for four years in a row, and is the only Zhong Dui in the entire farm that has achieved the "four no's" (no escape, no serious case, no unusual death, and no violation of policy) year after year.

We called on Liu Fengcai, a reticent middle-aged man. But he talked to us about his father. Liu Fengcai's father is a native of Shandong Province. He joined the revolution in 1947 and fought with the Fourth Field Army from the Northeast all the way to Guangxi during the Liberation War. In 1956, he escorted convicts from

Guilin to Qinghai. He was a Zhong Dui commander (company level) when he came to Qinghai and still was when he retired.

When Liu Fengcai was a kid, he rarely saw his father, who was always busy and after each meal went right back to the prison. His father usually wore a sheepskin-lined jacket tied around the waist with a rope. Walking among the prisoners, it was hard to distinguish him from the inmates.

After graduation from senior middle school, Liu Fengcai joined the reform-through-labor service. Back at home, he told his father: "Father, I am also going to work here." His father was smoking and spoke only after a long while: "If you want to do it, do it well and wholeheartedly."

Liu Fengcai also had violated policy. Once when prisoners were ordered to count off, a prisoner from Zhejiang pronounced the number "two" unclearly, refused to say it again when ordered to, and refused to be placed in confinement. Infuriated, Liu Fengcai punched him twice.

His father heard of the incident and gave him a serious lecture: "Prisoners are also people, people who have committed crimes. If you forget this, you cannot be a good reform-through-labor cadre."

Since then, Liu Fengcai has borne firmly in mind his father's lecture. Not long ago, his father retired and returned to his native place in Shandong, and he can rest assured.

#### Yuanshan Hill

There is an earth mound behind Haomen Farm's headquarters building. The local people call it the Yuanshan Hill. On the hillside are more than 100 tombs. This is the resting place for the first generation pioneers.

Each year during Qingming, an endless stream of people come here to clean up and offer sacrifices. Of course, most of them are in olive green police uniforms. Political instructor of the Second Zhong Dui Zhang Shining's father is buried here. His name was Zhang Guanglian. He was transferred from Jinhua, Zhejiang, to Qinghai in 1955. In 1965, he died suddenly of cerebral hemorrhage at work. He was 37 years old.

Zhang Shining and his younger sister were brought up by their mother, who relied on pensions paid by the farm and endured much hardship.

He has a special feeling for Yuanshan and his mother. Therefore, he gave up his educational opportunities and put on a police uniform at an early age. For the public, he wants to be his father's successor. Personally he wants to take over his mother's burden.

It is said that broken families are also "hereditary." Zhang Shining is also a single parent now with an eight-year-old daughter.

Marriage is the long-standing, big, and difficult problem of cadres and police at the reform-through-labor farms, particularly at Haomen. Because areas surrounding the farms are sparsely populated, families in various farms mainly rely on each other to provide marriage partners. Often the daughter of a cadre of Farm A marries a cadre of Farm B, and the wife of a cadre of Farm C works in Farm D. They call this "tribal marriages." However, there are more men than women. Some cadres still have to go back to their hometowns in the interior to look for a bride.

That was how Zhang Shining got married. His ex-wife was an inspector in a Jinhua factory. After their wedding, they had a period of happy married life like "the cowherd and the girl weaver." Later they had a child, who was placed in his wife's care. Gradually his wife began to indicate that she could not bear the burden, and his mother-in-law also complained repeatedly. So Zhang Shining brought his wife and daughter to Qinghai. After a period of time, his wife left him and the child and never returned. Zhang Shining does not blame her and takes up the heavy burden of supporting his mother and raising his daughter alone.

If Zhang Shining has any regret, it is that he is doing too little for his daughter. The work of cadres at reform-through-labor farms basically starts from reveille and continues until taps. On holidays they are even busier and have less time to go home. His daughter stays in a school more than 20 li away and can only come home on weekends. The father and daughter cannot see each other often. Knowing how he feels, his mother sometimes fetches the child from school to have lunch at home and spend some time with her father.

However, Zhang Shining has no second thought about his choice, because his father is buried in Yuanshan, and his career is also in Yuanshan.

In his famous long poem, "The Divine Comedy," Dante the Italian poet tells about how he got lost in a dark forest, was later led by gods through the gate of hell into the abode of sinners, from there went to purgatory, finally rose to heaven, and saw God.

It is better to see "The Divine Comedy" as the description of the process the common people go through from crime to deliverance than as the redemption of man's soul after death.

From the 18th century, European countries sent stubborn and unruly criminals to Australia, which was called the "continent of fresh start."

Qinghai is a base of reform through labor in western China. Here is really a "land of fresh start" for imprisoned criminals to "purge their souls."

## NATIONAL AFFAIRS, POLICY

**Problems, Prospects for Reform Strategy**

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[Article by Hu Yongming (5170 3057 2494): "Problems and Prospects of Reform Strategy That Combines Administrative Separation of Power With Market Orientation"—Topic group leaders: Tang Fengyi (0781 0023 5030), Jin Pei (6855 0160); writer: Hu Yongming (5170 3057 2494), discussion participant, Han Zhiguo (7281 1807 0948)]

[Text] Administrative separation of power is a reform strategy that seeks to mobilize the initiative of both the central government and local authorities by redistributing state administrative power and economic management power in favor of local governments, while keeping the ownership relations of the traditional state economy and the corresponding power organizational structure basically unchanged. The reform strategy of combining administrative separation of power with the market is premised on administrative separation of power and incorporates a host of market-oriented reform features (such as giving enterprises more decision-making authority in their operations, introducing an incentive system for both enterprises and workers, emphasizing the function of market signals, and market regulation). It is this particular reform strategy that China has been following in its economic structural reform since the late 1970's.

The reform strategy of combining administrative separation of power with market orientation has played a major role in dismantling the traditional highly centralized planned economic system, mobilizing the initiative of enterprises and workers, and making use of the market as a regulator with remarkable success. The results have been striking. But this reform strategy has some glaring shortcomings that hamper the continued furthering of reform. Judging from the practice of reform in China over the last dozen years or so, the major weaknesses are: 1) Even as it reduces the ability of the central government to issue administrative commands to enterprises, administrative separation of power has strengthened the administrative restraint of local governments at all levels on enterprises. Enterprises still have trouble becoming truly independent economic entities. 2) Local protectionism and administrative monopoly have prevented the formation of a nationwide market for commodities and capital goods, weakening and distorting the regulating function of the market. 3) Administrative separation of power has undermined the macroeconomic regulatory and control power of the central government. Out of self-interests, local governments try to outdo one another in consumption and investment, which is an important root cause of the boom-and-bust cycle in the economy.

In view of these problems, most comrades in China's theoretical community have a negative attitude toward administrative separation of power. However, since the demand for reform by local governments at all levels across the country remains strong, it will probably be impossible to abolish some of the reform measures relating to administrative separation of power anytime soon. Administrative separation of power is still needed to put other market-oriented reform measures into effect. From the angle of theoretical analysis, China is a developing nation with a vast territory. A key principle of market-oriented reform is to bring about the organic integration between planning and the market, between the state and the market. As the state tries to fulfill its role of planned regulation and control, will it work if all we have is the enthusiasm of the central government and not that of local governments? The answer clearly is no. Moreover, an essentially market-oriented economy requires a large number of entrepreneurs and intermediate, regional economic organizations to discharge the duty of opening up the market and coordination. Before the strata of intermediate economic organizations and entrepreneurs take shape, governments at all levels, including local governments, are required to fulfill their macroeconomic, planning, and property management functions and substitute for entrepreneurs. Therefore, we cannot simply criticize administrative separation of power, but must analyze thoroughly and in detail the historical background that gave rise to it (from the perspective of the combination of the political system and economic system), its historical inevitability, its achievements in socialist economic reform, its deep-seated conflicts with market-oriented reform, and the future reform direction. This article proposes to give a preliminary answer to the issues raised, using the practice of reform in China, the Soviet Union, and some Eastern European countries as background.

#### 1. Administrative Separation of Power: Formation and Roots of the Structural "Centralization-Repression-Decontrol-Chaos" Cycle

Reform along the line of administrative separation of power can be traced all the way back to the mid-1950's. After World War II, just about every socialist nation put together an economic system exhibiting a high degree of administrative centralization based on the Soviet model. But it was not long before they all discovered almost at the same time that this centralized system had two major flaws in its operations: 1) The central government attempted to control all national economic activities through a detailed all-embracing command plan. But because of the enormous difficulties in the gathering, processing, and centralization of information, and for reasons that had to do with interest relations, central planning is often divorced from the actual social needs. The result was wasted social resources and economic inefficiency. 2) There was no room in this highly centralized system for the independent economic interests of localities, enterprises, and workers, thus stifling their production enthusiasm, initiative, and creativity. The

result was a rigid system. Ever since the early 1950's, therefore, these nations have been mulling overt and drawing up economic structural reform plans. Significantly enough, both China and some countries in Eastern Europe and the Soviet Union took some reform measures along the line of administrative separation of power in their early reform days. In other words, what all these nations were trying to do was to correct the weakness of excessive concentration of power at the center characteristic of the traditional system by adjusting and improving the distribution of administrative power between the sectors (vertical) and the localities (horizontal).

However, both the Soviet experience and the Chinese experience demonstrate that administrative separation of power could not solve the inefficiency and lack of vitality characteristic of the traditional system. On the contrary, by weakening the coercive administrative power of the state, it leads to problems like the macro-economy getting out of hand and structural imbalances. The reason is that the traditional system is an administrative command type of economy; highly centralized management is inherent in it. To go in for administrative separation of power within the framework of a command economy would only reinforce local interests and localism, spurring local governments to scramble for projects and investment for the sake of local interests and to pursue fast growth single-mindedly, ignoring the need to improve efficiency and structural optimization. The upshot is demand explosion, economic overheating, and chaos in the national economy. Moreover, while the central government issues fewer administrative orders to the enterprise in the wake of administrative separation of power, the enterprise becomes an appendage to the local government. The local government is merely repeating, on a smaller scale, what the central government used to do. The problem of the traditional system—devalitized and inefficient enterprises—has remained unresolved. So all we have is administrative separation of power followed by chaos in the national economy, followed by the central authorities reasserting itself and putting an end to the chaos in the economy temporarily. But what the government cannot do is to eliminate the weaknesses inherent in centralization itself. Again and again the conflict between the intrinsic demand to improve the efficiency of the socialist economy, on the one hand, and a rigid centralized system, on the other, has thrust reform onto the forefront of the socialist nation. Yet because of the influence of "left" guiding thought, any reform that bore a trace of market orientation was out of the question and politically unacceptable for years. Even among economic theorists shackled by dogmatism, market-orientation reform was unthinkable. Thus for a long time the only option open to socialism was endless administrative separation of power designed to modify the rigid centralized system. And every round of administrative separation of power invariably seemed to presage subsequent

reassertion of central authority. The result is the so-called structural cycle of economic overheating followed by retrenchment followed by more overheating.

Why is it that in countries like China and the Soviet Union, economic structural reform always took the tack of administrative separation of power in the early phase and for some time afterward? And why is it that reform along the line of administrative separation of power is always accompanied by the structural centralization-suffocation-decontrol-chaos cycle? This indeed is a critical theoretical and practical issue that we would do well to ponder. Today, the Chinese economy has entered a new era of adjustment, rectification, and reform. To ensure steady progress in future development and reform and prevent the current adjustment and some reform measures from igniting another round of overheating followed by retrenchment, it is all the more important that we think about the above issues clear-headedly.

First, let us look at the political system and the guiding thought behind economic work. For many years in the past, we took the definitions of classical Marxism as our starting point and considered the socialist economy as an economy from which commodity and monetary relations were removed and regarded the product economy, in essence the natural economy, as the goal of socialism. We also looked upon Soviet-style centralization as the classic model for ownership by the whole people. This "left" guiding thought fundamentally rules out the possibility of any market-oriented reform, thus determining that any improvement in efficiency must be effected by adjusting administrative power within the framework of the centralized system.

Second, perhaps even more important, the inevitability of reform along the line of administrative division of power is determined by the rigidity of the property rights structure within the traditional state ownership system. In the traditional system, the state ownership format of ownership by the whole people is an unshakable principle that cannot be questioned. The inelasticity of this form of ownership and this property rights structure rules out the possibility of any attempt to separate enterprise management from government administration, thus eliminating its structural weaknesses, by reforming the property rights management system in the state economy. Given the blurred demarcation of property rights and the absence of property rights rules, and hence genuine market competition, any effort to make the economy more efficient can only be effected by adjusting, reorganizing, and redistributing administrative power. Moreover, administrative separation of power is a reform measure that is easy for a centralized planning system to put into effect and control.

Third, reform by administrative separation of power also is dictated by such factors as China's vast territory, extremely complex economic conditions, and unevenness in interregional economic development. Conditions vary in myriad ways from region to region and the enthusiasm of the central government for implementing

the state's command plans is unmatched by similar enthusiasm from local authorities. In implementing the state's command plans, therefore, it would not work for the central government to impose a single policy uniformly across the board, its enthusiasm unmatched by similar enthusiasm from local authorities. For this reason, administrative separation of power in a way also meets the objective requirement of the traditional system itself.

The traditional system of centralization is a closed administrative power system that standardizes and regulates the operations of the economy mainly through a hierarchical administrative power structure. How efficiently the entire economy operates depends on the restraining force of administrative power and the people's loyalty to the party. In the traditional system, therefore, any piece of reform that has to do with administrative separation of power necessarily entails a price—the loss of some macroeconomic efficiency—for the extra measure of initiative it generates from the local governments. And the loss of macroeconomic efficiency will usher in a new round of economic overheating, followed by retrenchment, followed by more overheating and more retrenchment.

## 2. The Reform Strategy of Combining Administrative Separation of Power With Market Orientation

1) The formulation of the reform strategy of combining administrative separation of power with market orientation. The keynote of economic structural reform in China since 1978 was originally administrative separation of power as well. The guiding thought put forward at the Third Plenum of the 11th CPC Central Committee—giving more decision-making authority to localities, enterprises, and individuals—does not exceed in its basic spirit Mao Zedong's thought on administrative-separation-of-power reform as elucidated in his 1956 work "On Ten Major Relationships." The separate financial system launched in 1980, in particular, basically established a new pattern of administrative separation of power. Be that as it may, what differentiates the reform after 1978 from the several rounds of reform before 1978 is the emphasis from the start on making the most of the law of value, on fully utilizing prices and credit as economic regulators. Localities and enterprises were given more power. The latter especially were granted more decision-making authority in their operations. Thus we can say that the post-1978 reform had a strong market orientation from the very start. Nevertheless, we did not start out with a coherent market-oriented reform plan. Instead we "crossed the river by groping for the rocks," planning and thinking as we went along. As reform gradually went under way, particularly after rural reform turned out to be a phenomenal success, Chinese economic structural reform slowly began to tilt toward the market. Since the Third Plenum of the 12th CPC Central Committee in 1984, urban economic reformers took a string of reforms that were distinctly market-oriented. State enterprises were given more autonomy in their operations. After 1986, such measures evolved into

the enterprise contract responsibility system in all its shapes and forms. Meanwhile, the scope of state command planning shrank while that of guidance planning and market regulation grew. A market for some capital goods began to take shape and a dual-track pricing system was introduced at the same time. After 1984, as Chinese economic reform gradually tilted in favor of the market, the series of administrative separation of power measures initiated in the early 1980's also were amplified. Besides finance separation, a contract system was started for sharing the profits of foreign trade and investment and credit contracting also were launched.

As a result of the reform measures described above, there gradually emerged in urban economic reform after 1984 a unique reform strategy that combines administrative separation of power with market orientation. Over time the Chinese economic system has evolved into one that is under neither complete administrative control nor complete market control. Instead, it is a system that features multiple restraining forces, the dominant one being administrative restraint, between planning and the market, between the various levels of government, and between government and the enterprise.

In Chinese urban economic reform, the reform strategy that combines administrative separation of power with market orientation was not planned by the government in advance. Nor was it the result of painstaking work by economists. The fact of the matter is that it came into being in the course of reform, a process of exploration and experimentation. It is the product of interactions among the nation's politics, its economic system, and other social factors. In China's experience, market-oriented reform is in some way historically inevitable within the framework of administrative separation of power or under the traditional planning system. Although administrative separation of power and market-oriented reform are essentially two totally different reform strategies, separated by some deep-seated conflicts, they were brought together in China's specific political and economic environment in the 1980's. We can say that the enormous achievements that the nation has won on the two fronts of economic development and economic reform are intimately related to the strategy of combining administrative separation of power with market-oriented reform. And it is in that very strategy that we can find the root of the many difficulties confronting economic construction and reform today.

2) Achievements and conflicts. No doubt the reform strategy combining administrative separation of power with market orientation is a tremendous historic improvement over the sort of adjustment in the past that simply reshuffled power back and forth between the central and local governments. What the reform strategy has produced is a hybrid system, or dual-track system, that includes a mix of planned regulations, which is the dominant element, and a large dosage of market regulation. This system has a host of weaknesses and needs to be further improved. Compared to the traditional administrative centralized system, however, it is clearly

a significant improvement. Since reform began, our persistent and endless effort to enlarge the decision-making authority of enterprises in their operations and change their operating mechanism has dealt a heavy blow to the highly monopolistic policy-making structure of the traditional system and injected unprecedented vitality and energy into the entire national economy. Price reform and other reforms in planning, taxation, and the banking system have introduced the market mechanism into resource allocation, optimally raising the efficiency of resource allocation. Economic development in China in the last 10 years is the best ever since the PRC was founded in terms of both growth rate and efficiency. In terms of gross national product, China's performance is also good enough to include it among the handful of nations and regions in the world with the fastest economic growth. Compared to countries like the Soviet Union and those in Eastern Europe, where reform is also under way, China was also a pacesetter in the 1980's, economically speaking.

It is worth stressing that China's achievements in reform and development in the 1980's are inseparable from the powerful stimulus given to local governments at all levels. Finance contracting and a host of other administrative-separation-of-power measures were a powerful incentive to local governments. Driven by a desire to develop the local economy and improve the living standards of their people, local governments have played an important part in effecting the change in enterprises from the production mode to the business mode, building new enterprises, expediting their horizontal associations, developing regional commodity and capital goods markets, and improving the foreign investment climate. They substituted for the entrepreneur and the market with a good deal of success. Although administrative separation of power causes a string of conflicts in the area of mobilizing the initiative of local governments, the role played by local governments at all levels in reform and development in the 1980's cannot be dismissed casually.

Since China's decade-long reform still took place within the framework of the traditional centralized system, the property rights structure and the concomitant power system have remained basically untouched. Although the market mechanism became stronger and stronger in the course of reform, the hierarchical administrative command mechanism still prevailed. The result of this coexistence between a dominant administrative restraining mechanism and the extensive introduction of the market mechanism is two-fold. On the one hand, the administrative mechanism, undermined by the market mechanism, has become significantly less effective. On the other hand, the market mechanism too is seriously hamstrung, distorted, and modified by the administrative mechanism in carrying out its function. Consequently, not only is the macroeconomic regulatory effectiveness of the central government greatly diminished, but the market mechanism also exhibits many features that characterize imperfect or immature markets or markets in the primary stage.

The post-reform Chinese economy today is not fully controlled by administrative power. Nor is it controlled by market forces. Instead, it is regulated and influenced by a host of factors—administrative power and market forces as well as bargaining and inter-personal relations. Multiple rules means no rules. When multiple rules conflict with, undercut, and cancel one another out, they cause significant disruptions in the national economy.

First of all, administrative power remains the source of power and restraining mechanism. In the course of reform, although the power of the central government over enterprises has been reduced, the administrative control of local governments at all levels over enterprises has been increased, in part because the enterprise management system has changed little and leading party and government cadres are still appointed by the local government in question. Another reason is that it is only through the appropriate local government agencies that enterprises are able to obtain some low-priced raw materials and other inputs in short supply. Moreover, local governments have the power to examine and approve some investment projects, to extend credit, and to set the prices of certain products, which determines that in their operations enterprises cannot but depend on preferential treatment and protection from the higher authorities. In examining the relations between local governments and enterprises, therefore, it is not enough if we can see just the administrative interference by local governments in enterprises. We also must note that because a market for capital goods has yet to take shape and because of price distortions, uncertain external operating conditions, and administrative control over credit and investment, enterprise operations are still inseparable from the preferential treatment by and protection of local enterprises. Hence the thousand and one ties between the enterprise and its local government.

Second, market distortions, administrative separatism, and trading power for money are widespread. After a decade of reform, a consumer goods market has been created and some capital goods have been decontrolled. But market decontrol has not been accompanied by an effort to establish a strict and standardized market order, set forth clear market rules, and otherwise build up the market in a non-superficial manner. On the contrary, combining market regulation with administrative separation of power and confining market operations and regulation within the framework of administrative separation of power has seriously hampered and distorted the market mechanism. 1) On many occasions, administrative regulatory signals are still stronger than those of market regulation. The effectiveness of market signals has not become significantly stronger even as the market is decontrolled. 2) The structure of the market is incomplete. 3) The spatial division of the market and regional blockade. In the wake of finance contracting, all areas have adopted the "import substitution" development strategy in a bid to increase local revenues and show off their achievements. To protect local interests in each and every way, they practice local separatism and close their

markets, impeding the proper circulation of commodities and capital goods. The resultant unchecked production and overlapping construction seriously violate the principle of reasonable regional specialization, economies of scale, and unified market, causing heavy losses and a worsening of the structure and giving rise to the characteristics of administrative monopoly and regional separatism in the Chinese economy. This is one of the deep-seated hidden conflicts of the reform strategy of combining administrative separation of power with market-oriented reform. 4) Trading power for money has become increasingly widespread. Furthering reform has made the profit motive and material considerations the principal driving force in economic operations. But even as market reform is being improved, there has been no corresponding attempt to standardize the rules governing transactions on the market or its operations. The reform strategy of combining administrative separation of power with market-oriented reform has conferred vast power on local governments at all levels to regulate the market, making it possible for government officials at all levels to pursue personal interests by abusing their power to allocate materials, examine and approve investment projects, extend credit, and set prices. The result is a widespread "rent subsidy" phenomenon in society. This has combined with the dual-track price system and the dual exchange rate system, among other things, to make corruption and bribery the lubricants needed to keep the economy running. The central government has issued repeated injunctions against corruption, hardly realizing that the universalization of trading power for money, itself the product of using administrative power to regulate the market, cannot be attributed to personal character but to our institutions. As long as the soil that gives rise to trading power for money is not eradicated, the phenomenon of corruption mentioned above cannot be avoided.

Third, cyclical economic overheating and loss of control on the macroeconomy. The single-minded pursuit of fast growth, leading to economic overheating and demand explosion, is a glaring shortcoming of the traditional system. In the wake of administrative separation of power, localities have developed their own independent financial interests and local leaders scramble to keep up with one another and show off their achievements. When local leaders are thus driven, it is like adding fuel to the flames of the economy—overheating it and letting it get out of hand. To spur local economic development, establish their own reputation, and build up their political capital, the "father and mother officials" of some areas have gone on a building spree, putting up housing and constructing roads and other public facilities, ignoring overall national interests and sparing no material and financial resources. Administrative separation of power has given local governments not only the power to control the human, financial, and material resources of the enterprises under them as well as the production, supply and marketing power, but also some of the macroeconomic power that rightly belongs to the central government in such areas as finance and credit. Armed

with these powers, the localities have been able to each go their own way, depending on what their local interests are, and ignore the general interests. Hence the loss of control on the macroeconomy. Since the late 1970's, China has been through three rounds of cyclical economic overheating. There is no denying their direct linkage with the reform strategy of combining administrative separation of power with market-oriented reform.

### 3. Underlying Conflict Between Administrative Separation of Power and Market Orientation

In essence, administrative separation of power and market-oriented reform are two totally different and mutually contradictory reform philosophies. Administrative separation of power seeks to improve the traditional system and overcome its weaknesses through this or that adjustment to the distribution of policy-making power within the state economy, while keeping the traditional centralized system largely intact. Market-oriented reform, on the other hand, seeks to remake the microeconomic basis and operating mechanism of the national economy and its corresponding macroeconomic regulating and control system in accordance with the demand of the modern commodity economy. In the basis of authority, the restraining mechanism, and the regulatory and control mechanism, the two are totally different. In a system of administrative separation of power, it is still the administrative restraining mechanism that prevails. The decision-making power and driving force in the various links of the economy still come from hierarchical administrative power market-oriented reform, on the other hand, would have market restraints replace administrative restraints and is intended to reshape the decision-making system, basis of authority, and sources of drive of economic operations by reforming the property rights structure and its organizational system. It seeks to rewrite the rules by which the entire economy operates using market restraints and property rights restraint as leverage. When market-oriented reform is carried out within the framework of administrative separation of power, therefore, the entire reform process will necessarily be full of conflicts and clashes between two sets of institutions and two systems. This determines that there inevitably will come a point in the reform process when we find ourselves in an impasse.

Let us further analyze market-oriented reform itself. Not only does it refer to a broadening of the scope of the commodities market and capital goods market and the adjustment of the price ratios between various commodities, but, even more important, it entails the establishment of a market system—the formulation of a set of rules by which the market operates, the nurturing of market organizations, the reshaping of market proper, the establishment of a market regulating and control system, and other aspects of underlying market construction. Market-oriented reform also requires a corresponding rewriting of laws and regulations in society and the establishment of commercial contractual organizations. Thus market-oriented reform is a piece of systems engineering that involves changes in all aspects of



society, economic, social, political, and cultural. Clearly it would be impossible to effect market-oriented market without making far-reaching changes to the administrative power organizational system, particularly the property rights structure, of the existing state economy. The reason is that the clear demarcation of property rights is the prerequisite for all market transactions. Without clearly defined ownership rights, it would be either difficult or prohibitively expensive to make a deal on the market. This is precisely why all advanced commodity economies are based on a complete set of laws and regulations pertaining to property rights and matching contractual organizations. To a large extent, the functional efficiency of the market mechanism depends on the completeness and effectiveness of these laws and regulations. Under the administrative separation of power system, on the other hand, because of the ill-defined nature of property rights and because of the fact that the agents of ownership are all administrators and bureaucrats, the market mechanism on many occasions appears to be distorted, chaotic, and malfunctioning. When bureaucratic authority, not property rights, is combined with market operations, when administrative power regulates the market, reform is unavoidably accompanied by commercial speculation, official profiteering, bribery, and all sorts of corrupt phenomena. In this sort of political and economic environment, moreover, all manner of corruption and chaos will necessarily increase in direct proportion to the improvement of market-oriented reform.

#### 4. Practical Choices in Furthering Reform

After a dozen years of hurried exploration and experimentation, economic structural reform has now entered a period of readjustment, rectification, and improvement. Practice in China shows that the transition from the traditional system of planned economy to the new economic system combining planning with the market is much more arduous, complex, and difficult than the establishment of the Soviet-style centralized system in the first place. Because China is so used to the old system and because the establishment of the new operating mechanism must take place over a period of time, inflation and economic disorder of varying degrees have become a widespread phenomenon in the transitional period. Thus adjustment and rectification will remain necessary for a considerable period of time during economic reform. It also will set the stage for future development and reform.

However, in view of what we have learned from decades of economic construction and reform in China, people have reason to be concerned that some of the administrative measures that have been reinforced in the course of improving the economic climate and rectifying the economic order will become a barrier to further reform. In the process of improving reform, will the strengthening of administrative separation of power and the weakening of market-oriented reform turn the current drive of economic rectification into the opening of a new

round of centralization leading to over-control, decontrol leading to chaos? In this sense, Chinese economic reform is at a crossroads right now; it has essentially three choices: 1) shorten the leash once again and strengthen centralized planning and control; 2) intensify administrative separation of power and establish a cumbersome and unwieldy regulatory system to maintain the current dual-track system; and 3) adhere to and further market-oriented reform; establish an operating mechanism and macroeconomic regulatory system for the new planned commodity economy.

About the first option. In the current drive to improve the economic climate and rectify the economic order, the central government has taken some tough administrative measures and concentrated the necessary financial power and materials power in order to sort out the overheated economy and chaos. The government is doing, in a timely fashion, what has to be done. However, if some of the centralization measures adopted recently are re-institutionalized and made permanent, they will hamper intensification of reform, thereby doing the utmost to devitalize the national economy. In practice, after years of reform, local governments at all levels as well as enterprises have developed their own relatively independent interests. This being the case, any effort to expand the scope of centralization by force will also inevitably run into stiff opposition from the localities and enterprises. This will exact a hefty economic price. Nor is it achievable in practical terms given the numerous difficulties involved.

The second option is to maintain the current dual-track system by strengthening administrative separation of power and setting up a string of administrative regulatory institutions. Actually this is the option we have largely adopted today in economic operations and structural reform. As noted above, after 10 years of reform, local governments at all levels and enterprises have formed their own relatively independent interests. Prompted by self-interests, they are opposed to the central government tightening the noose yet again even as they are awed by the difficulties of furthering market-oriented reform, including "tax separation," establishing a unified market system, and giving an independent status to banking operations. In some localities, the leaders even interpret furthering reform to mean the freezing of the pattern of power and interests distribution formed by administrative separation of power and half-baked market-oriented reform thus far, making it permanent. In response to appeals and pleas from local governments, some administrative-separation-of-power measures such as finance contracting have been reaffirmed as the guiding thought behind reform improvement following the Fifth Plenum of the 13th CPC Central Committee. At the same time, the central government has stepped up supervision and restraint on localities and enterprises in such areas as finance, credit, and investment. We know from the experience of India and some other developing nations that large numbers of officials will become corrupt when a nation has no sound



market mechanism or matching macroeconomic regulatory system but relies primarily on administrative tools to regulate the economy, guiding market transactions with official documents and circulars. China is a socialist nation. Widespread corruption in the course of reform and opening up to the outside world will inevitably weaken social cohesiveness, the social and political costs of which will be prohibitive. At present, from the central government to the local level, we are all condemning official corruption. Little do we know that in market-oriented reform over-reliance on administrative power and administrative regulations will necessarily lead to corruption.

The endless economic cycle, alternating overheating with retrenchment, will seriously dampen the reform enthusiasm of vast numbers of cadres and the masses. Widespread corruption in economic and social life will do great damage to the prestige of reform. The result is to subject our economy to periodic shake-ups and leave structural reform in a state of limbo; retreat is out of the question but moving forward is enormously difficult.

The third option is to continue to further market-oriented reform to help establish a unified nation-wide market system, enhance the macroeconomic regulatory and control capabilities of the central government, and sort out the relations among the central government, localities, and enterprises. Continue to give local governments at all levels a broader role in medium-term economic planning, coordination, and management and gradually leave the path of administrative separation of power.

Changing administrative separation of power simply through administrative centralization exacts an exorbitant price. China is a large developing nation with a vast territory and extremely complex economic conditions. As it reforms and develops, it will face mammoth difficulties without the enthusiasm and powerful support from local governments. The right choice is to separate the property rights management function of state enterprises from the administrative management power and macroeconomic regulatory and control power of the central government by reforming the property rights system, the monetary system, and the tax system, among other things; separate government administration from enterprise management; sever the administrative subordination relocations between governments at all levels, on the one hand, and enterprises, on the other. As far as tax reform is concerned, we should first divorce returns and profits on state properties from taxes, and also separate the management of state properties from state finance. The management of for-profit investment in state properties should primarily be the responsibility of the State Administration of State Property, separate from the Ministry of Finance. Moreover, replace the current finance contracting system with the tax separation system. Demarcate the respective economic and social management responsibilities of the central government and local authorities properly and base the scope and scale of government spending at the various levels

thereon. Establish a management system for the various levels of government under which power, responsibilities, and interests are commensurate with one another. The separation of power between the central government and local authorities must rest on an economically rational basis so that it will continue to bring out the enthusiasm of local governments at all levels for reform and development, give the enterprise decision-making authority in their operations, set up a nation-wide unified market system, and help the central government carry out its macroeconomic regulatory and control functions.

### Retail Sales Show Increase in Jan

HK1102014892 Beijing CHINA DAILY  
in English 11 Feb 92 p 2

[By Liu Hong: "Booming Month for Retail Sales"]

[Text] January, always a big month for retail sales in China, was even busier than usual this year.

The sales volume topped 87.3 billion yuan (\$16.17 billion)—a 13.6 percent increase over January 1991, according to an economist for the State Statistics Bureau who declined to give his name.

He attributed this retail sales boom mainly to consumers inclination to spend a lot in the month preceding Spring Festival. Consumer goods are about 90 percent of retail sales; the rest is production goods.

Abundant supplies of various popular consumer products were another factor boosting the retail sales, the economist said. Statistics revealed that the supply of goods during the month were 10 percent more than last year.

The country's retail merchants tried hard the past year to resurrect the retail market, which had been coasting along for three years following the government's decision to start an austerity programme in the fall of 1988.

Retail sales for the past year stood at 939.8 billion yuan (\$172.4 billion), a jump of 13.2 percent over 1990.

A breakdown found that retail sales of consumer goods recorded a bigger rise than production goods, amounting to 81 billion yuan (\$15 billion) or 14.3 percent higher than the year before.

Of the total sales of consumer goods, 90 percent went to individual consumers; the rest to institutions. The most popular goods were interior decorating materials, gold jewellery, video games, karaoke players, food and expensive children's and women's clothes.

Sales of some durable consumer products, including video recorders, cameras and refrigerators, also rose, despite the forecast that consumption of durable goods has already reached the saturation point.

The one cautionary note in the good news was that spending by institutions was still gathering speed, surging to 8.2 billion yuan (\$1.52 billion).

Big spending by institutions usually presages inflation, and this year's January figure was an 18.7 percent leap from 1991, the economist noted.

Because of the potential problem, many economists have been calling for measures to curb the trend.

A close look at different consumer groups showed that the retail sales in rural areas finally began to recover, registering 36.2 billion yuan (\$6.7 billion) of sales volume during the month—a 13 percent rise over last year.

The difference between rural and urban retail markets had narrowed by a one percentage point as the sales growth rate on the rural market stood at 13 percent compared with 15.4 percent for the urban market.

However, the economist noted that sales of farming production materials prior to spring sowing also contributed to the sales boom in rural areas.

**Zhang Zhuoyuan Comments on 1991-92 Prices**  
*92CE0274A Beijing ZHONGGUO TONGJI XINXI*  
*BAO in Chinese 2 Jan 92 p 1*

[Article by Zhang Zhuoyuan (1728 0587 0337), director of the Institute of Finance, Trade, and Commodity Economics of the Chinese Academy of Social Sciences: "Comments on Prices at the End of the Old Year and the Beginning of the New Year"]

[Text] Market prices are a general reflection of the operations of the socialist commodity economy. Since the beginning of the drive to improve the economic environment and rectify the economic order, the state has implemented a retrenching but safe macroeconomic policy to tighten credit loans and cut financial disbursements with fairly good results. This is manifested mainly in the checking of inflation, and the remarkable decline in the rate of price rise. The drive to improve the economic environment and rectify the economic order came to an end in 1991. In 1992 it is unlikely that the state will make any remarkable change in its macroeconomic policy. My prediction is that our national economy will continue to show stable and coordinated development and keep growing at a moderate rate as long as the state is implementing a fairly safe macroeconomic policy, and there is no extraordinary natural disaster. In such a big environment, our market will remain brisk and stable. Although a greater rise in market prices (mainly retail commodity prices) is expected, it is not likely to be a double-digit increase.

**Review of 1991 Prices**

For the period from January to October 1991, the retail price index rose 2.7 percent. The rise for October was 4

percent. For November and December the rate of price hike may be still higher, but will not be a double-digit figure.

As for prices of farm and sideline products at rural fairs, information monitored in October 1991 from the rural fair's trade in 35 big and medium cities, involving 28 different kinds of staple farm and sideline products, revealed that prices of 24 products dropped in comparison with the corresponding period of the preceding year. While four products showed higher prices, the magnitude of rise was not big. For this reason, there was no change in the trend that appeared in 1989; that is, prices at rural fairs remained generally stable with some degree of drop in certain cases. We had envisioned that prices would skyrocket at rural fairs in such localities as Anhui and Jiangsu in the wake of the extraordinary floods, but actually this was not the case. In general, the grain price was stable. Vegetable prices initially rose sharply, but soon became stable again.

The rise in service charges was a significant factor contributing to the higher price level in 1991 and, in particular, to the relatively big rise in urban living expenses. For the period from January to September, service charges were 8.9 percent higher than the corresponding period of the preceding year. The main reason was that some cities adjusted their charges for electricity, public baths, water supply, and bus fares.

Prices of industrial consumer goods also grew. Prices of 59 different kinds of industrial consumer goods monitored in 35 big and medium cities from January to October 1991 showed that three-fifths of the products had higher prices than the corresponding period of the preceding year, while those with stable prices and those with declined prices each accounted for one-fifth of the products. Products with increased prices included predominantly daily necessities, such as white cloth, cotton T-shirts, towels, toothpaste, and matches. Those showing declined prices included color television sets, stem-winding watches, aluminum pots, and detergents.

Prices of means of production remained relatively stable. The composite price index for January to October 1991 covering products both inside and outside the plan dropped 1.2 percent from the corresponding period of the preceding year. Planned prices rose 4.5 percent, while market prices dropped 2.6 percent. The first nine months, which witnessed no more than 1 percent fluctuation in the monthly market price chain index, represented the most stable period in recent years. On the whole, the annual composite price index is estimated at the same level as the preceding year, though steel and coal prices have risen to some extent since October.

Among the price changes in 1991, the general retail price level in cities and towns rose more than that in rural areas. For the January to October period, the rise was 4.2 percent in urban areas and 1.9 percent in rural areas. State-fixed prices showed a relatively big rise, while

market-regulated prices declined to some extent. A comparison of the January-August retail prices with those for the same period of the preceding year reveals that state-fixed prices rose 10.6 percent, state-guidance prices rose 9 percent, and market regulated prices dropped 3.3 percent. The rise in state-fixed prices is attributable to the fact that state-owned enterprises faced higher costs as well as wide-range, large losses. Under such circumstances, the state had to raise the selling prices of some industrial consumer goods gradually so as to enable the enterprises to make normal profits and to reduce state financial subsidies to them.

### Forecast of Prices in 1992

When we consider the price trend in 1992, especially when we study the question of whether an inflationary reaction will appear in 1992, we must know that there exist two contradictory restrictive factors.

Judging from the supply and demand of commodities, an inflationary reaction will not appear.

First, farm and sideline products are in abundant supply. In 1991, despite natural disasters, agricultural yield was good. Grain output was not reduced as much as expected, while bumper harvests were still achieved for other kinds of farm produce. In 1992, as long as there is no extraordinary natural disaster, the grain price will remain stable, thus ensuring the general stability of the food price as a whole.

Second, there is an ample supply of industrial consumer goods, particularly durable consumer goods. Large quantities of such goods are in stock, and a considerable amount of productive capacity for making these goods has not been put to use. Price hikes caused by supply versus demand will not appear within a short period.

Third, industrial production, heavy and light industries alike, still shows a trend of steadily accelerating development. Even a low estimate would put the 1992 industrial growth rate at 12 percent. Light and heavy industries will have almost the same growth rate. Thus, even if investment demands and consumption needs grow in 1992, as long as the increase is not too much, say at a level of 12 percent or slightly less, supply can still be guaranteed, and no serious shortage is expected.

Fourth, the state has increased its foreign exchange reserve and thus has more room to regulate domestic supply and demand of commodities through foreign trade. As of the end of 1991, the state's spot exchange reserve had reached \$20 billion, hitting a record high. The continued trend of foreign trade development will pose no threat to the domestic market because of the ample supply of goods at home.

On the other hand, however, people do have some reason to worry about the appearance of an inflationary reaction, considering the increased money supply during the past few years.

In the fourth quarter of 1989, the state began to adjust the extent of retrenchment and loosen its credit loan control. As a result, the rate of increase in money supply greatly exceeded the economic growth rate. The amount of credit loans extended during the fourth quarter of 1989 was 120 billion yuan. In 1990 new bank loans amounted to 273 billion yuan. The amount of additional loans extended in 1991 is estimated at 280 billion yuan. Loans of various descriptions extended by state banks increased 17.6 percent in 1989 and 22 percent in 1990. The increase in 1991 is estimated at 18.5 percent. Cash in circulation increased by 21 billion yuan in 1989, or a growth rate of 9.84 percent, and by 30 billion yuan in 1990, or a growth rate of 12.8 percent. In 1991 the increase in cash in circulation is estimated at 50 billion yuan, or a growth rate of 18.9 percent. If we go by the formula that money supply equals bank deposits minus deposits by government financial departments plus cash issued, that is, if our calculation is based on money's broad sense, then the growth rate of money supply was 14.9 percent for 1989 and 28.2 percent for 1990, both exceeding the annual GNP growth rate by more than 10 percentage points. According to the law of money circulation, overissue of currency ought to be offset by currency (paper currency) devaluation. Because of this, during the past few years many economists showed concern over an inflationary reaction. Some believed that such a reaction would appear in 1991; others held that if the reaction did not appear in 1991, it would show up in 1992. Now, as we can see, no inflationary reaction appeared in 1991. Nonetheless, an inflationary pressure obviously exists, so the issue cannot be taken lightly.

At the same time, we should see that some factors have eased the inflationary pressure resulting from the enormous increase in loans and the overissue of currency.

First, usually the increase in loans is bound to lead to an increase in the amount of money in circulation. In the recent past, however, a sizable amount of the loans was used to replenish the working funds required for production and commodity circulation, resulting in a considerable increase in the stockpile of products. These loans were not turned into cash as they usually are. On the contrary, the increase in loans to meet intermediate needs is equal to an increase in supply. Despite the fact that the added stock contains some low-quality and even obsolete goods—in some cases the percentage of such goods is estimated at 10 percent, while the highest estimate is about 20 percent—most of them are considered to be effective supply. Accordingly, the loans have not triggered a price hike; on the contrary, they have constituted a factor restricting the rise in prices.

Second, currency issuance has not increased too much in recent years. A comparatively large sum of currency was issued in 1991, probably amounting to 50 billion yuan. However, since the rate of monetary circulation has not increased appreciably, most of the newly issued money (about 30 billion yuan) will be used to make up for the escalation of the general price level (given a total retail sales volume of some 900 billion yuan and a price hike

rate of slightly over 3 percent, 30 billion yuan will be needed to make up for the price hike). Another part of the cash is to be used to supplement working funds for the individual and private economic sectors.

Third, residents' savings deposits have increased steadily. In 1991 residents' monetary income grew faster than consumption, and there was no appreciable change in their consumption propensity. Changes in residents' consumption propensity are dictated by three factors: One is the expectation of a better income. Since the economic environment was still being improved and the economic order rectified in 1991, the economic growth rate was not high, and both urban and rural residents' incomes remained relatively stable. Hence, they entertained no high expectation of a better income and dared not rashly increase their spending. The second factor is the expectation of inflation. Through the improvement of the economic environment and rectification of the economic order, prices have become stable, and for 18 consecutive months, the subsidiary rate on value-guaranteed savings has remained zero. Residents, therefore, think that there is a rather slim chance of inflation. The third factor is the change in the stage of consumption. The present stage of consumption is a relatively stable one. No particular consumer goods dominate the people's consumption, and no consumption escalation is anticipated in the near future. This has resulted in a relatively stable mentality about consumption. For the above reasons, residents have shown a greater enthusiasm to save money. The total amount of savings deposits of urban and rural residents at the end of November 1991 was 898.8 billion yuan, surpassing the figure at the beginning of the year by 195.3 billion yuan. This trend of affairs has, of course, greatly eased currency's pressure on the market, and at the same time, inevitably delayed the price-raising effect caused by the overissue of money.

Despite the above factors that have eased the inflationary pressure, we cannot deny the existence of this pressure macroeconomically. To avoid an inflationary reaction and prevent our commodity prices from rising too high in 1992, we should pay attention to the following two points in devising our policy and choosing our reform steps: First, we should continue to implement a safe macroeconomic policy. In 1992 we should control the increase in loans more appropriately as a way to curb the too fast growth of investment demands. Every effort should be made to ensure that the increase in loans will not exceed that in 1991. Better yet would be to have a lesser increase than that year. The growth rate of fixed asset investment should not be too high. It is appropriate to limit the fixed asset investment growth rate to 12-15 percent, while the total amount should not exceed 600 billion yuan so as to avoid any imbalance between supply and demand. Accordingly, we should put into effect an appropriate interest policy and maintain a real positive interest rate; that is, the nominal interest rate should be higher than the rate of price hike, and for this purpose, a difference of 2-4 percent should be considered

appropriate. Second, we should introduce proper price reform measures. In 1992 we will further deepen price reform—there is no question about this. As to how many reform measures we should introduce and how big our steps should be, we should make careful studies and calculations. In my opinion, apart from the need to readjust grain buying and selling prices, the price of coal subject to unified allocation, and the price of crude oil, we may devote more efforts to reforming the price-setting mechanism in 1992. In other words, with regard to those products whose supply and demand are basically in balance, which are not related to the national economy and the people's everyday life, and which show a considerable flexibility in supply and demand, we may decontrol prices and subject them to market regulation. To do so will bring about a change in the price-setting mechanism and will not trigger a big rise in commodity prices.

### Urbanization Should Suit Real Conditions

OW1002022692 Beijing XINHUA  
in English 0148 GMT 10 Feb 92

[Text] Beijing, February 10 (XINHUA)—The process of urbanization is inevitable and China should find a way that fits its actual conditions, China's minister of civil affairs said.

With industrialization, the urban population of the world grew from 13.6 percent to 41 percent of the total population from 1900 to 1988, according to an article by Minister Cui Naifu.

The article, published in today's PEOPLE'S DAILY, says that urbanization in China is at a relatively low level, and China has a long way to go in the process of urbanization.

According to the fourth national census, conducted in 1990, China's city population accounts for only 26.23 percent of the total population, the minister wrote.

Cui suggested that the speed of urbanization in China ought to fit the pace of economic development, and especially be coordinated with industrial and agricultural growth.

To be specific, China should control the size of large cities, expand medium and small-sized cities, and build a group of towns that are backed up by rural industries, have convenient communications and feature their own local characteristics, the minister wrote.

Controlling the size of large cities means restricting their population growth and land use but improving their efficiency and functions, Cui explained.

Administratively, new cities will be set up on the basis of existing counties because counties are relatively established administrative divisions and have vast hinterlands to support their expansion, the minister noted.

Cui suggested that population growth in the future be kept at four percent in large cities, six percent in medium-sized cities and eight percent in small towns.

At these rates, by the end of this century large cities will have 33 percent of the total urban population, medium-sized cities 17 percent and small towns 50 percent, Cui wrote.

During the Seventh Five-Year Plan period (1986-1990), population growth was at an average of 5.2 percent for all cities. Large cities grew at 4.1 percent, medium-sized cities at 6.1 percent and small towns at 5.5 percent.

The western part of the country should see a faster pace of city development, Cui suggested. The low level of urbanization and economic requirements in the western part demand certain favorable policies for urbanization, according to the minister.

A group of backbone cities should be built in the west to lay a foundation for economic take-off and development in the next century, the minister said.

## PROVINCIAL

### Inner Mongolia Notes Rapid Stock Market Growth

*SK1102085592 Hohhot Inner Mongolia People's Radio Network in Mandarin 2300 GMT 10 Feb 92*

[Text] With the continuous development of monetary system reform, Inner Mongolia's stock markets have developed fairly rapidly. By the end of 1991, six stock exchange organizations and 268 stock agencies had been established throughout the region. In the past two years, they issued bonds worth 3.54 billion yuan, thus making positive contributions to Inner Mongolia's economic construction and development of enterprises.

Because of the state's retrenchment policies toward the issuance of credit and currency in the past few years, enterprises have suffered a great shortage of fixed and circulating capital. As a result, some enterprises lacked the strength for sustained development, some construction projects were unable to be developed, and some technical transformation projects could not be completed on schedule. Thus, Inner Mongolia's stock markets focused their attention on the region's key projects and provided great support to them. In July last year, Fengzhen Power Plant, which was being built at high speed, lacked some funds, but the funds allocated by the state had not arrived by that time. The Inner Mongolia Power Administration decided to issue enterprise bonds worth 100 million yuan. In less than three months, the trust and investment company of the Industrial and Commercial Bank completed the issuance of 100 million yuan of bonds to meet the pressing need of the Fengzhen Power Plant. In June last year, the Baotou Trust and Investment Company issued bonds worth 28 million yuan to support the renovation of the Huang He water reservoirs. When this project is completed, the water

shortage of the (Jintan) and (Dongqu) Districts of Baotou and the Baotou Iron and Steel Complex will be eliminated once and for all.

### Inner Mongolia Gold Output Exceeds 1991 Quota

*SK0902073492 Hohhot Inner Mongolia People's Radio Network in Mandarin 1100 GMT 8 Feb 92*

[Excerpt] In 1991 the region overfulfilled the state-planned gold production target, with gold output increasing by 5.48 percent over the 1990 figure. At the same time, the region achieved results in building gold mines, conducting geological prospecting, and making technological progress. (Xintagouliang), (Suihuagou), and (Saiwuzu) gold mines, each with its gold output reaching 10,000 liang, all gave full play to their role as key gold mines and overfulfilled the state targets as a result of strengthening management and tapping potential. Such key gold mines as (Dashuiting), (Wanjinzha), and (Houshihua) also overfulfilled the 1991 production tasks. Despite the short production period and arduous conditions, (Eyouqi) gold mine in Hulun Buir League topped 10,000 liang in gold output for the first time, a record high, through meticulous organization of production, thus joining the ranks of 10,000-liang banners and counties in the country. [passage omitted]

### Shanghai To Develop Key Industries, Products

*OW2502091392 Beijing XINHUA Domestic Service in Chinese 2120 GMT 23 Feb 92*

[By reporters Wu Fumin (0702 1788 3046) and Lu Guoyuan (7120 0948 0337)]

[Text] Shanghai, 24 Feb (XINHUA)—Shanghai is going to concentrate efforts on developing 10 new major leading industries and 50 major products during the Eighth Five-Year Plan. The move is seen as an important step to carry out strategic readjustment of production structure in a bid to gradually form a new, superior industrial setup in Shanghai.

The 10 major leading industries are automobile, communication equipment, computer and microelectron, electric power station facilities, petrochemicals, household electric appliances and products, integrated machine-building and electronic installations, fine chemical industry, plastic material processing, and clothes and textile machinery. The 50 major products include boats and ships, numerically controlled machines, medical apparatus and instruments, sensitive material, cosmetics, foodstuffs, laser record players and compact discs, and so forth. An industrial setup that encompasses all kinds of products has taken shape in Shanghai, which relies on industrial production as its economic mainstay, under the system of planned economy over a protracted period of time. While all areas across the country were enjoying rapid industrial development as a result of the transition from the planned economy to the commodity economy, Shanghai's industrial sector, which used to rely on other

localities for supply of primary materials and energy, found itself in an increasingly less competitive position.

In the face of this grim situation, the Shanghai Municipal Government promptly decided on the policy to carry out strategic readjustment of its production structure by relying on its solid scientific and technological strength, gradually reduce competition against fraternal provinces and municipalities in the areas of raw materials and market through development of new leading industries and major products with the support of new high technology, and reestablish the superior position of Shanghai's industries in China.

Among the 10 major leading industries, the automobile industry will receive priority for its development. Plants for production of sedans and engines of world standard in the 1980's have already been set up at the Shanghai-Volkswagen Automotive Company, which already has the capability for mass production. More than 70 percent of the cars and parts manufactured by the company are made in China. Shanghai Municipality plans to achieve an annual production capacity of 150,000 Santana sedans through technical transformation by the end of the Eighth Five-Year Plan, thus making the automobile industry gradually become the first pillar industry of all the industries in Shanghai.

The communication equipment manufacturing industry will also enjoy development ahead of others to become another pillar industry in Shanghai through investment in new plants, their erection, and organization and establishment of new groups of enterprises. It is estimated that the industry's annual output value will exceed 5 billion yuan by 1995.

**Rapid Economic Development in Jiangxi Reported**  
*OW0503050692 Beijing XINHUA in English*  
0243 GMT 5 Mar 92

[Text] Beijing, March 5 (XINHUA)—Despite suffering from serious drought, east China's Jiangxi Province managed to reap a bump agricultural harvest and promote its economic development with a big margin last year.

Statistics show that the province's gross domestic product reached 45.8 billion yuan last year, a 7 percent increase over 1990.

The total industrial and agricultural output value surpassed 80 billion yuan last year, a 10 percent increase over 1990. The figure included an output value of 29.5 billion yuan from agriculture, which was 3.7 percent more than in 1990.

With the completion of a large number of key technical projects, the province's industrial output value rose by 14 percent compared with that in 1990.

Meanwhile, the province's export and import volume respectively reached 610 million and 95.67 million U.S.

dollars, up 16.5 percent over the target and a 37.24 percent increase over 1990 respectively.

Last year, the province signed 238 foreign-funded projects, involving a total contract investment of 157.96 million U.S. dollars, 43.6 percent more than the target.

Sixteen foreign technical projects imported last year cost 20.2 million U.S. dollars, while 10 technical projects were exported, bringing in 5.75 million U.S. dollars.

Currently the province has developed labor and trade cooperations with more than 130 countries and regions.

**FINANCE, BANKING**

**Company Remains in Satellite Insurance Business**  
*OW1503134592 Beijing XINHUA in English*  
1320 GMT 15 Mar 92

[Text] Beijing, March 15 (XINHUA)—People's Insurance Company of China has contracted insurances upon the launch of 12 Chinese-made satellites and the American-made "Asiasat I" communications satellite since 1985.

"People's Insurance Company of China has become one of the few insurance companies in the world which are economically capable of paying the insurance against risks of launch failures which usually cost tens of millions U.S. dollars," said Ding Yunzhou, deputy general manager of the External Department of the company.

According to Ding, insurance upon launch of satellites is characterized by high risk, high technology and high payment.

Only a few insurance companies in the United States, Britain, France, Germany, Italy, Japan and China accept insurance against launch of satellites, according to Ding.

**INDUSTRY**

**Baoshan Iron, Steel Corporation Ready for Profits**  
*OW0203034992 Beijing XINHUA in English*  
0338 GMT 2 Mar 92

[Text] Shanghai, March 2 (XINHUA)—The Baoshan Iron and Steel Corporation, involving an investment of 30 billion yuan, is ready to bring more profits to the country with its second phase project to go into production completely this year.

The corporation was established six years ago, and it made 68 million yuan of profits in the first year after its first phase project went into operation. With the increasing of its economic efficiency, by 1991 the corporation had made an accumulated pre-tax profit of 5.919 billion yuan, 3.567 billion yuan of which were turned over to the state. In 1991, Baoshan Iron and Steel

Corporation ranked the first in Shanghai in terms of total output value, sales, realized profits and taxes and export earnings.

In tandem with the operation of the second phase project, the corporation now has the capability to produce a great variety of rolled steel in short supply in the country.

Statistics show that the corporation has produced hundreds of thousands of tons of rolled steel, which was formerly imported from other countries, saving 160 million U.S. dollars in terms of foreign exchange for the state.

When the operation of the second phase project goes into full swing, the total output of steel is expected to reach 6.71 million tons. The investment for producing one ton of the steel stands at 4,485 yuan, much less than the current 1,000 U.S. dollars in the country.

Last year, the daily profits and taxes of the Baoshan Iron and Steel Corporation stood at 6.49 million yuan. This year, the figure is expected to surpass eight million yuan calculated in accordance with the corporation's annual target of three billion yuan.

Calculating at the prices of 1990, the corporation expects to realize a total of 60 billion yuan of profits in the next 10 years. Relying on the abundant economic power, the corporation has decided to start its third phase project with an investment of more than 20 billion yuan, most of which will come from the corporation's own earnings.

#### **Rubber Industry To Improve Product Variety**

*HK2602015092 Beijing CHINA DAILY in English  
26 Feb 92 p 2*

[By staff reporter Huang Xiang: "Rubber Industry Sets 92 Targets"]

[Text] The nation's rubber industry will focus on improving product variety and expanding international sales in 1992.

Meanwhile the government will tighten its control over the increasingly overheated production of rubber products, said Li Yangshan, director of the Ministry of Chemical Industry's Rubber Bureau.

The industry's growth rate for the new year is set at 5 to 6 percent, the level of the previous year, Li said at a press conference.

The press conference was held yesterday prior to the industry's annual national working conference, which opens today in Beijing.

The industry plans to produce 33 million tires in 1992, 870,000 less than in 1991.

Tires usually account for 40 percent of the sector's output value. Other rubber products are hoses, rubber-soled shoes, conveyor belts and carbon black.

"The priority will be new and better products, rather than on quantity," said Li, who is also president of the China Rubber Industry Association.

For the tire sector, the ministry is demanding a hefty increase in the production of radial tires, the substitute for the traditional bias tire used on automobiles.

Compared with the old type, radial tires are reported to be safer, energy-saving and able to assist the smooth running of automobiles. The tires make up 70 percent of consumption in advanced countries, but take up less than 5 percent in China.

It is hoped that more than two million radial tires will be produced in 1992, up from 1.68 million in 1991.

For most other rubber products, the ministry is targeting the overseas market for further profit growth in the new year.

The sector is expected to earn \$650 million in hard currency in 1992, an increase of \$50 million from 1991.

To encourage sales, Li said more manufacturers will be allowed to export their products using their own channels, instead of relying on government-run trading firms.

Meanwhile, the ministry will step up preparatory work on a dozen cooperative projects with foreign partners.

The design of these projects is the result of the industry's rubber exhibition in Malaysia in December last year.

The ministry is also set to stage an international rubber product exhibition in Beijing, the first of its kind in China, as one of the twelve members of the International Rubber Conference (IRC).

The exhibition will be held in October when the IRC convenes its working conference in Beijing.

## **CONSTRUCTION**

### **Shanghai Constructs Harbor Along Yangtze River**

*OW2602135192 Beijing XINHUA in English  
1300 GMT 26 Feb 92*

[Text] Shanghai, February 26 (XINHUA)—Shanghai, China's largest industrial city, has invested 120 million yuan (about 22 million U.S. dollars) to construct the Waigaoqiao new harbor along the Yangtze River.

This major project to improve the investment environment of the Pudong new development zone is under first phase construction. The project is expected to use a total investment of 590 million yuan to build four 10,000-ton berthes and a berth for barges. The harbor will have a handling capacity of 2.4 million tons a year.

One of the 10,000-ton berths is expected to be put into use by the end of this year.



## POPULATION

### Aging Shanghai Population Causes Resource Concerns

HK1502080592 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1312 GMT 5 Feb 92

[Text] Shanghai, 5 Feb (ZHONGGUO TONGXUN SHE)—With social and economic development, Shanghai's rural populations are rapidly aging. Statistics from last year's fourth census show that at the end of 1989, the elderly population of Shanghai's rural areas was 603,000, 13.1 percent of the rural areas' total population. Experts predict that by 2030 there will be 1,604,500 old people and by then at least one in every four people in Shanghai's rural areas will be an old person.

Care for the elderly in mainland rural areas consists mainly of three forms: one is family care; two, collective subsidies; and three, social elderly care. Since 1977, most villages in the Shanghai rural area have adopted the form of subsidies for old people in rural areas. But because collective economic development has suffered from disequilibrium and does not have sufficient financial power, levels of old-age subsidies have been low and slow to develop. According to statistics from the Shanghai Municipal Agricultural Commission, of the 533,000-strong population in municipality rural areas in 1986, 383,000 enjoyed subsidies, which was 72.8 percent of the total elderly population. The per capita monthly income then was 13 yuan. In 1989, 442,500 old people enjoyed subsidies, that is, 73.38 percent of a total of 603,000 at 18.35 yuan per capita monthly income. According to a survey by the "Shanghai Elderly Care Insurance in Rural Areas" section calculated by 1986 levels, the minimum expenditure required to maintain an old person in rural areas was 40 yuan a month; by 2030, total annual expenditures in the municipality on care of the elderly will be 11.77 times that of 1986. This will exert enormous economic pressure on rural collective care for the elderly. Similarly, in the 2020's and 2030's, the traditional family old-age care in rural Shanghai, in which old people rely on their sons and daughters for a living, will run into enormous difficulties as family sizes contract. As shown by information by the fourth census, the average family size in rural Shanghai in 1990 was 3.1 people per family, 1.48 people less than in 1949 and 0.52 less than 1981. According to a random sample, the burden ratio for an adult laborer in rural Shanghai in 1986 was 22 percent.

According to a forecast, over the next few years, 60,000 couples who have only one son or daughter will reach retirement age in Shanghai. In 2000, about 600,000 will reach retirement age and by 2030 single-child parents will dominate the elderly population. By then, each child-bearing couple will be responsible for maintaining four old people. The burden ratio of elderly care for adult workers will be over 50 percent. What will be the

relationship between generations then? Concerned persons are calling urgently for the quick establishment of a socialized rural old-age insurance system.

## TRANSPORTATION

### Airlines To Offer Three New Air Routes

OW2602230592 Beijing XINHUA in English  
1458 GMT 26 Feb 92

[Text] Beijing, February 26 (XINHUA)—China United Airlines will offer three new air routes to meet passenger demand in Hainan Province, and Jining City, Shandong Province, as well as Nantong City, Jiangsu Province.

Round trip service will be offered on the Beijing-Haikou, Nantong-Huiyang and Jining-Foshan routes.

Flights on the Beijing-Haikou route began today, while the Nantong-Huiyang service will begin on February 28 and the Jining-Foshan service on March 2.

## AGRICULTURE

### Establishment of Wholesale Grain Markets Evaluated

92CE0255A Beijing NONGYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY]  
in Chinese No 11, 23 Nov 91 pp 28-32

[Article by Zhu Yuchen (2612 3768 6591), of the Wholesale Grain Market Management Office of the Ministry of Commerce's Chinese Grain Trading Corporation: "Constructing Chinese-Style Wholesale Grain Markets"]

[Excerpt] [passage omitted]

### III. Advancing Our Goals: Wholesale Grain Markets Today and Tomorrow

A. Now, while China is in the initial, exploratory stage of developing wholesale grain markets, we face numerous problems and must take action in a conservative, planned fashion to promote pilot projects.

Conditions differ from nation to nation and region to region, so indiscriminately imitating any particular existing pattern is doomed to fail. We must suit measures to local conditions and gradually, through practical trial and error, develop our own experience and adopt flexible, diverse patterns for the creation and development of wholesale grain markets. At this point in time China has already established a national wholesale grain market in Zhengzhou and provincial wholesale grain markets in Jiujiang Jiangxi and Wuhu Anhui, as well as in Heilongjiang, Hubei, and Jilin. To sum up, the domestic wholesale grain markets so far established are of three essential types: First, the national-level Zhengzhou Wholesale Grain Market—the model central grain market for all of China; second, the production-zone wholesale grain markets, which are established within



the provinces but cater to the nation as a whole; and third, the market-zone wholesale grain markets focussing on standard internal urban grain bargaining markets. Some small-scale municipal and county wholesale grain markets established in combination with retail markets, on the pattern of country fair trade, do not fit the standard pattern of wholesale grain markets. Through coordination and competition, the best adapted of the various wholesale grain markets survive and develop. All current established markets are composed of loosely organized members. In some of the intimate regional wholesale grain markets established by prefectures and counties to serve peasants directly, we can institute mutual risk assumption and profit sharing among members and establish economic communities led by the market.

**B. The rise or decline of wholesale markets essentially depends upon the process of improving our economic climate and restructuring the economy, and upon the implementation of various supporting measures.**

China's wholesale grain markets have not undergone a spontaneous process of natural development; rather they are the result of a pressing need spurred by economic restructuring. Because of the economic climate produced by wholesale grain markets and the mission entrusted to them, their path of development is bound to be difficult and tortuous. This particular reform is not an isolated, individual experiment, but rather a complex systemic process. Right now it looks as though the key factors limiting the development and consolidation of wholesale grain markets are as follows:

1. Stability and continuity of government policies on grain market development: We must offer steady, long-term support for relevant market development policies, such as letting the market mechanism run its course, reordering pricing, and promoting multi-channel business operations. We must also control any local administrative interference—such as blockades or isolationist restrictions—that would run counter to market development, and ensure that there is a relatively open and unrestricted overall climate for grain market expansion.

2. Pricing: The success or failure of wholesale grain markets will be realized not only in the size of the transaction figures: More significant is whether they can supply pricing information that will have guiding significance. Where there are markets there is competition, and where there is competition there is inevitably price fluctuation: This is the source of market vitality. To safeguard peasant interests, it is important for the government to apply protective pricing in procuring farm produce, but guaranteed price levels must be reasonable. Cheap grain hurts the farmers, but expensive grain hurts them as well. If guaranteed prices are too high, market operations will be blocked or restricted and the market will be unable to develop.

3. Regulating handling: The establishment of a special state grain reserve system is an essential step in stabilizing the grain market and guaranteeing long-term social order. A special grain reserve is helpful mainly in regulating handling—it is different from storing grain as a hedge against war and natural disaster. If we are to make use of this grain and allow it to exercise greater influence, we must link the intake and out-flow of the special grain reserves closely to greater market circulation. We cannot just open up another planned channel outside of the par pricing system, or we will certainly end up with a "three-track system" that will increase conflicts and friction. The wholesale grain market must be closely coordinated with the special grain reserve system: the latter is the material foundation and backup for the former. The wholesale grain market is a crucial channel for regulating the handling of special grain reserves.

4. The enterprise system: Government and enterprise are not separated, and enterprise has become an administrative appendage—a situation which is particularly serious in the grain sector of the economy. Enterprises are not independent production operations and have no means of participating in market dealings. Even though grain wholesale markets can provide the correct price signals, enterprises take orders from the administration and cannot react in a timely fashion. Because the rewards of profits and the costs of losses are unclear to enterprises and individuals, they have no enthusiasm for business. Even though grain wholesale markets can provide convenient services and advantageous prices, dealers are not willing to do business in the market, preferring to do business in unregulated trade outside the market—at the expense of public good and to their own individual advantage. We must work steadily to resolve all these problems as we intensify enterprise reform.

5. Shipping and finance: If we are to maintain the standards of the wholesale market and enforce strict adherence to contract terms, we must have a good grain shipping system and a flexible, convenient loan and remittance system to ensure that both the product and the payment are forthcoming as expected in grain transactions.

**C. The development of wholesale grain markets will have a tremendous impact in transforming our traditional trade patterns, fostering the market mechanism, and establishing new market procedures.**

1. In the struggle to establish wholesale grain markets, our goal in the start-up phase is to involve more businessmen in market trading by improving market appeal and attractiveness. Trader participation in the marketplace is a prerequisite for its existence and effective functioning, and the secret to this is to make the market more attractive. Market attractiveness can be improved through wholehearted devotion to market service or through preferential government policies. In this trial phase, wholehearted devotion to service is likely to be rather limited in the marketplace, so preferential government policies become the essential factor. Government policy can favor wholesale grain markets by lowering taxes and permitting profits, or by offering financial support, but a more important manifestation lies in

creating a relaxed, favorable environment for wholesale grain markets to arise. Right now support in shipping and financing is most crucial. Wholesale grain markets are a nonprofitable service institution that would be unsubstantial except that the role they play and the effects they have are macroeconomic. How can there be any criticism of the state for applying preferential policies to support this kind of market? One prominent contradiction in the initial phase of wholesale grain market development is that we must both support the principles of a wholesale market and improve the appeal of the market. For a long time the attraction of the wholesale grain market has been in the principles and regulations it established. However, in the start-up phase, because most people are unfamiliar with it, or because old habits die hard, businessmen may feel too constrained by the market and be unwilling to take part in it. The stricture that agreements must be honored is one of the major features of a wholesale grain market, and a cash deposit system is the key to ensuring that they are. However, because paying a cash deposit adds another procedure to the process, and because holding inventory in stock lowers interest earnings, in a buyers' market a buyer is unwilling to pay the deposit, and in a sellers' market a seller is unwilling to pay the deposit. In this situation it is preferable to reduce the volume of trade on the market than to abandon market principles and make too many concessions. But collecting cash deposits is not the only way to guarantee that agreements are met: It is also possible to try using treasury bonds as security to guarantee contract fulfillment. After a certain period of operation, when the preliminary effects and results of operation are demonstrated and the rationality and feasibility the wholesale market have been tested and verified in practice, the government can use policy measures and dictates to restrict nonmarket trade and ensure that the circulation of staple grains between provinces and prefectures is all handled through official wholesale channels.

2. In the development of wholesale grain markets, our goal in the middle phase of the process is to normalize market operations, improve the degree of contract standardization, expand brokerage and contract assignment business, enhance links to the international market, and perfect market service functions. The wholesale grain markets' account settlement services are critical to the process of market development. The functions of the account settlement center and the trading floor are equally important. We must work progressively to establish market accounts for member enterprises and have them negotiate to transfer the needed funds directly for any market transaction. We must ensure that the wholesale grain market acts as a seller to the buyer and as a buyer to the seller. Responsibility for resolving any problems or commercial mishaps that transpire after a business deal is transacted should fall to the market, entrusted to its greater authority.

3. It is possible that some wholesale grain markets in China may develop into futures markets, but they would

be much different from the futures markets of the past. Futures markets develop from forward markets, but their means of operation and the influence they wield far surpasses those of commercial markets, making them an extremely dynamic and complex financial tool. If our wholesale grain markets are to make the transition to become grain futures markets, at the very least the following conditions must be met: a) We must have a relatively comprehensive, integrated spot market for agricultural produce; b) We must be capable of bringing the market mechanism fully into play, and people must have a deeply ingrained market ideology; c) The bond market must be in at least the preliminary phase of development; d) The forward market must be highly normalized, contracts must be standardized, and speculation and currency value assurance must be developed to a certain degree; e) The domestic and international market must be essentially one market; and f) We must have relatively advanced transport and communications facilities.

It should not be our painstaking goal to achieve ever more pure forms of futures market. The quintessence of the futures market is nothing more than the avoidance of risk, and we should build upon our experience in running wholesale grain markets to explore certain dispersed, "equal profit, equal risk" risk-transfer mechanisms suited to our national conditions. That is, we must forge a Chinese route to futures market development.

#### Developing Agriculture, Rural Economy

92CE0309A Beijing JINGJI RIBAO in Chinese  
21 Jan 92 p 3

[Article by Yang Yongzhe (2799 7167 0772), Deputy Director of the State Council Research Office: "Some Issues in Developing Agriculture and Rural Economy"]

[Text] The Eighth Plenum of the 13th CPC Central Committee convened recently fully affirmed China's great agricultural achievements of the last decade, put forward the major tasks and overall objectives of agriculture and rural work in the 1990's, laid down the basic principles to be followed if the tasks are to be accomplished, and decided on a string of important policies and measures. This result is a magnificent blueprint for vitalizing agriculture and building the new socialist countryside. How, then, are we to implement the decision of the Eighth Plenum, achieve new breakthroughs in the rural economy in the 1990's, and elevate agriculture to a new level? In my opinion, we should do a good job in the following critical areas:

#### Intensifying the Establishment of a Socialized Agricultural Service System Is an Important Part of Intensifying Reform

In the 1980's Chinese agricultural developments attracted worldwide attention. In one stroke the basic needs of over 1.1 billion people for food and clothing were met and the nation came closer to achieving a comfortable standard of living. What is even more

gratifying is that thanks to a succession of bumper harvests in recent years, there is ample food supply on the market, the people are living a rich and diversified life, the economy is booming, and society is stable. This important experiment fully convinced us, first of all, of the enormous potential of Chinese agriculture. Hidden among the hundreds of millions of peasants is a huge enthusiasm for socialist production. As long as we improve leadership, devise the right policies, rely on science and technology [S&T], increase investments, improve the conditions of production steadily, and improve the capacity for comprehensive production, there is a good chance we will be able to achieve national self-sufficiency in food, with the people living a life of plenty. Second, agricultural achievements are made possible by the string of rural reforms implemented after the Third Plenum of the 11th CPC Central Committee. A coherent body of basic rural policies, including the responsibility system centered on the household system of linking remuneration to output, has brought out the robust vitality and superiority of socialism in the new historical circumstances in the wake of self-improvement and self-development. Third, in China reform began in the countryside and then spread to the city; the achievements of rural reform supported the smooth progress of reform overall. These are the characteristics of reform in China as well as the secret of its success, a point that has universal significance. At a time when the world is ever-changing, that China has been able to stand firm is inseparable from the towering achievements of reform, including rural reform, and the policy of opening up to the outside world. Last year the entire nation was hit by flooding. Yet our disaster relief effort was a brilliant success and we harvested the second largest crop in the nation's history. Besides the support agriculture received from every quarter, the most important reason was the enormous strength of the string of basic policies adopted by the party in the course of rural reform throughout the 1980's. Certainly, the Chinese countryside will confront new conditions and new issues in the 1990's. If the rural economy is to continue its steady growth, the basic policies which have proved to be effective and popular in practice since reform began must be adhered to firmly.

Assuming policy continuity, the thrust of furthering reform is to stick to the responsibility system revolving around the household system of linking remuneration to output, improve the two-level management system combining centralization with separation vigorously, put together a socialized service system, gradually strengthen the collective economy, and steer the peasants onto the road of common prosperity. Offering good socialized agricultural services would help overcome the weaknesses of fragmented household management, improve the two-level management system combining centralization with separation, strengthen the collective economy, develop commodity production, bring the cadres and masses closer to one another, and intensify cohesiveness among the peasants. Three other points need to be further elucidated, to my mind. First, by strengthening

services, we can orient household production toward the market, gradually making it more specialized and regionalized, at the same time making the major links of production, supply, and marketing more socialized. That way we can achieve economies of scale overall and raise the level of productive forces as well as making them more modern, without changing decentralized management. Second, by providing agricultural households with unified high-quality socialized services, we can increase yields in a balanced way in large areas, thus closing the yield gap between different agricultural households resulting from the fact that they vary in quality and operate under different conditions. This way even agricultural households of a poor quality will be able to increase their output and become more efficient, tapping their production potential. Third, developing socialized services will help speed up rural specialization and stimulate the development of the tertiary sector.

To spur the development of an agricultural socialized service system, we should encourage all localities to explore and experiment boldly through practice and work hard to create a diversified service system that suits the level of productive forces in different localities. Many localities have a success story to tell in this area. It is particularly worth noting that the flurry of management organizations combining production, supply, and marketing or integrating trade with industry and agriculture that have emerged lately are proving very useful in providing peasants with a coherent set of services covering the entire process from before production through production to after production. A novelty of the rural commodity economy, they are led by the appropriate county and village economic or technical departments and miscellaneous processing enterprises. In areas where the village-level economy is weak, where qualified personnel and technology are sorely lacking, and where it is otherwise difficult to obtain services, these organizations are particularly successful in putting the expertise and technology at the county and village levels, particularly the former, to good use, powerfully spearheading the development of a service system for village collective economic organizations and the commodity economy. Judging from the experience of the various localities, there are in the main two approaches. In one approach, the relevant economic and technical departments at both the county and village levels assume different functions by providing the peasants with a range of socialized services independently on their own or jointly. Over time they become self-sufficient economic entities and less burdensome on the finance department. When conditions are ripe, they are then hived off from the administrative machinery and converted into commercial organizations. The result is that while "the government remains small, many services are being provided." This is a direction where county and village government reform can proceed. In the second approach, which has been adopted by even more localities, the agricultural, industrial, and commercial departments at the county and village levels along with all sorts of enterprises engage in a "joint effort" of commodity production. In

other words, in accordance with the principles of mutual benefit and joint development, all trades and all professions in agriculture, industry, commerce, and trade break down the barriers between different ownership systems and different administrative jurisdictions and organically join forces to provide peasants with services in production, supply, and marketing, managing trade, industry, and agriculture under one roof. This too represents a breakthrough in reform. With this approach, nobody is displaced. The beauty of it is cooperation, which makes it acceptable to the leading organizations of the various units that take part in it. It also gets around the problem of sectoral and regional separatism and bridges the gap between production and marketing, which has hampered the development of the commodity economy. It brings together all sectors, all services, and all means of providing services so that they complement one another to develop the commodity economy. In due course, moreover, it will lay the foundation for county and village structural reform and the transition to the first approach.

It seems that the dominant trend in the countryside today is for the pertinent scientific and technical sectors at the county and village levels as well as all sorts of processing enterprises to take the lead in developing a service system that integrates production with marketing so as to provide peasants with systematic services, bringing along the collective village economic organizations and other service entities.

#### The Road to High Yields and High Efficiency in Agriculture Is To Develop Good-Quality Products and "Grow, Breed, and Process"

In the 1990's the state must increase agricultural investment by a significantly wider margin. Build irrigation works one after another. Practice afforestation. Develop agriculture comprehensively. Improve the conditions of production. Enhance the capacity for comprehensive agricultural production. Scale new heights.

China has a huge population, which is continuing to grow by 16 million or so each year. Meanwhile its farmland is shrinking by millions of mu, this is at a time when the living standard is rising steadily, with a subsequent increase in the demand for agricultural products. In the 1990's, therefore, we must continue to make the increase in agricultural output a top priority. On this we must not slacken our effort. On the other hand, we must soberly realize that in terms of living standards, our people are going from the satisfaction of basic needs to enjoying a relative degree of comfort. No longer are we in the "squash and vegetable" stage anymore. Now that they have enough to eat, people are demanding a better diet. They want more choices when it comes to the variety and quality of agricultural products and have become more demanding. For instance, they consume less and less grain directly but eat more and more food derived from grain, such as meat, poultry, eggs, and milk as well as fish. The consumption of Chinese cabbage and radish is on the decline while that of fresh vegetables,

higher-grade vegetables, out-of-season vegetables, and foreign fruits and vegetables is rising steadily. Good-quality vegetables are snapped up even if they are slightly more expensive, but poor-quality products have no buyers even though they are cheap. Also, the modern family is getting smaller and smaller. Many households in townships are two-income families where both the husband and the wife work. With their fast pace of life, they demand more and more prepared and processed food products of all sorts—vegetables and rice that have been cleaned, a wide range of pre-cooked food, meat already cut up and coming in small packages. Changes in consumption demand show that the production of good-quality products, products derived from grain, and all kinds of processed products should be a priority in agricultural production. It will not do if we only concern ourselves with production and high yields while ignoring consumption trends and efficiency. To do so is to hold an incomplete view of the commodity economy. There is more to agriculture than merely growing grain. Agriculture is more than a "rice industry." It also is a basic industry that will help develop the commodity economy and enable vast numbers of peasants to become rich and achieve a comfortable standard of living. If peasants remain poor even as the barns are bulging with grain year after year, their enthusiasm will inevitably be dampened, affecting the momentum of agricultural development. Ultimately production cannot be sustained.

Judging from experiences everywhere, if there are going to be high yields and high efficiency in agriculture, we must gear our cultivation toward the market and develop raising livestock on the basis of the crops we plant. The poultry and livestock we raise, in turn, will provide the raw materials needed to develop the processing industry. This way crop-growing, livestock raising, and processing are integrated with one another. If we take this approach, not only will we be in a better position to open up the market, but we can also increase the added value of agricultural products at several levels and boost peasant incomes. When crop-growing and livestock raising go hand in hand, the use of organic fertilizers goes up while that of inorganic fertilizers goes down. And when farmland becomes more fertile, production costs decrease. By expanding raw material production into the processing industry, the realm of production gains in depth and in breadth, creating new employment opportunities for peasants, pointing up a new direction of development for township and town enterprises, and opening up a new revenue source for local governments, thereby transforming the look of "high-yield but poor" counties in a fundamental way, as well as enhancing the staying power of agriculture. Certainly, we are not saying that agricultural areas cannot engage in some other type of industry. In the long run, the war on poverty cannot be won without industrialization. At the present stage, however, the bulk of localities should concentrate on developing enterprises that process agricultural products, which will stimulate crop-growing and livestock raising by countless households, and other resource-based and labor-intensive enterprises.

### Township and Town Enterprises: Peasants' Hope for Achieving a Comfortable Standard of Living and Agricultural Modernization

Township and town enterprises emerged as a new force in the 1980's. Together with the household responsibility system of linking remuneration to output, they became the two most spectacular achievements of rural reform in China. With their enormous development potential, township and town enterprises have become the road that the Chinese countryside must take if it is to achieve wealth and the approach the peasant must follow if he is to become comparatively well off. Township and town enterprises are our hope for achieving agricultural modernization with Chinese characteristics. The development of township and town enterprises has absorbed large numbers of surplus rural workers, on the one hand, and provided a wealth of funds for agricultural development in a variety of ways, on the other, in the process solving the one problem that has plagued us for a long time: too little development funds, too much surplus labor.

In the 1990's, the Chinese countryside will continue to face the problem of not enough funds and too much surplus labor, perhaps even more so than in the past. It is therefore imperative that we firmly and actively support and correctly guide the continued steady and healthy development of township and town enterprises. Not for a moment can we waver from this policy. Even as we vitalize large- and medium-sized state enterprises, we must help township and town enterprises to make them develop better. Many township and town enterprises have cooperative arrangements with large- and medium-sized state enterprises, forming a community of shared interests and a common destiny. Large- and medium-sized enterprises should take the lead in fueling the coordinated development of township and town enterprises.

The basic policy for the development of township and town enterprises remains one of "strong support, rational planning, correct guidance, and strengthened management." Different areas should be handled differently, depending on the local circumstances, and guidance should be customized to suit them.

Along the coast, in the outskirts of large cities, and in other areas where township and town enterprises have been developing quite rapidly, the stage of doing things on a large scale is essentially over. Here fairly developed clusters of enterprises have come into being. As far as these establishments are concerned, the emphasis is on adjusting the industrial structure, relying on technical progress, strengthening internal management, and improving the overall caliber of the enterprises, thus gradually effecting the transition from extensive development to intensive development, from emphasizing output value to emphasizing economic, social, and ecological benefits, from relying on the domestic market to relying on both the international and the domestic

markets, from small and fragmented operations to specialization, to the formation of enterprise groups, and to cooperation with large- and medium-sized enterprises.

In central China, western China, and other areas, township and town enterprises are underdeveloped, being still in their infancy. Here the top priority remains development. We must take advantage of their strengths—abundant natural resources and manpower—and concentrate on crop cultivation, raising livestock, and the development of the processing industry dependent on crops and poultry for raw materials and other resource-based and labor-intensive industries. The level of technology should be relatively high, as should the quality of the products. When their technology is compatible with the advanced technology of the coast and other developed regions, large-scale cooperative projects should be launched. Developed areas should assist township and town enterprises in the fields of qualified personnel, technology, and management in an arrangement that brings about joint development on a mutual-benefit basis.

In China today, the rural economy, not to mention the rural collective economy, will be unrecognizable without township and town enterprises. Township and town enterprises have become a major new player in China's rural collective economy, a new growing point that is bursting with vitality and pregnant with potential. It is foreseeable that they will continue to flourish in the 1990's.

### Integrating Agriculture With Science and Education Is a Sound Way To Implement the Strategy of Vitalizing Agriculture With Science and Education

China has one of the world's lowest per capita natural agricultural resource rates. With its birth rate continuing to rise in the 1990's, China's per capita natural resources will continue their downward trend. This basic fact of national life makes it imperative that China adopt the vitalization of agriculture with science and education as a cardinal policy. By relying closely on scientific and technical progress, it should be able to increase the per-unit-area yields in both crop cultivation and livestock raising, forming an agricultural production system that is high in output, quality, and efficiency, and low in consumption.

Every locality has a success story to tell in the vitalization of agriculture with science and education in recent years, the most striking being the integration of agriculture with science and education to spur agricultural development. Integrating agriculture with science and education means that agricultural, scientific, educational, and other sectors involved work toward the common goal of developing agriculture and the rural economy, practicing specialization as well as cooperating fully with one another under the government's comprehensive planning and unified leadership. The idea is to

make agriculture rely on science, technology, and education more effectively and to make science, technology, and education serve agriculture better.

Practical experience everywhere is that integration has borne fruit, has paid off. There is broad agreement on these several major points: 1) Integrating agriculture with science and education has put an end to the work method of tackling agriculture, S&T, and education in isolation from one another, making it possible for the three to complement one another and forming a powerful joint force. Science and education have been put to their best possible use to vitalize agriculture. 2) As a result of integrating agriculture with science and education, agriculture has become more reliant on S&T and S&T has been more geared toward agriculture, thereby ending the disconnection between the two. For years, there has been a dearth of technology and qualified personnel in the countryside even as a large quantity of agricultural scientific achievements was going to waste, undissemminated and unused. Meanwhile, droves of elementary and secondary school graduates return to their native villages, unschooled in scientific farming. Peasants used to say, "What we need to learn we don't learn; what we have learned we cannot put to use." This and similar problems can be solved by integrating agriculture with science and education. 3) Integrating agriculture with science and education can put the research, experimental, demonstration, and dissemination bases in the countryside, be they farms, stations, institutes, and schools, to good use, making possible the comprehensive planning and rational distribution of a network of dissemination and training points. This way, human, material, and financial resources are fully utilized and overlapping projects and waste are reduced. In the end more gets done with less. 4) By combining agriculture with science and education into a potent force, we will certainly speed up the dissemination of S&T in the countryside and the improvement of the caliber of the peasants, which will play a significant role in achieving new breakthroughs in rural economic development and elevating agriculture to a new level in the 1990's. 5) The dissemination of S&T in agriculture and the broad improvement of the caliber of the peasants has vast and profound implications for the construction of the spiritual civilization in rural areas and the abolition of ignorance and backwardness.

In short, the emergence of the integration of agriculture with science and education is no accident. It is predetermined by the law of modern agricultural development—"agricultural development depends on S&T, S&T dissemination depends on qualified personnel, and the training of qualified personnel depends on education." It is inherent in the commercialization, socialization, and modernization of agriculture. The integration of agriculture with science and education should target the county and the village. Integration may take any form, depending on the situation in the locality in question. Such flexibility is intended to encourage the various places to experiment and innovate boldly and develop

multiple integration practices tailor-made to suit the social, economic, and natural conditions of different areas. There is no attempt to impose one model across the board. But even though practices vary from locality to locality, they have one thing in common, namely that the three sectors of agriculture, science, and education pool resources and cooperate even as they go in for specialization, each doing its best, each making its own contributions, all this without changing the relations of subordination, the functions of different sectors, funding channels, or spending pattern. Nobody displaces anybody else. Nobody takes advantage of anybody else. The beauty of it is integration. Thus freed from worry, people are ready to cooperate and stick with it, injecting new life into integration. In the process of integration, moreover, a new inter-sector working relationship has been developed, as has a new operating mechanism that is mutually supportive and facilitates coordinated development, thus setting the stage for furthering reform in the countryside.

**Intensifying Grass-Roots Ideological Organizational Construction Is a Piece of Basic Engineering That Will Consolidate the Rural Socialist Base.**

Since we are engaged in a great socialist construction, we must use the socialist ideology to unify people's faith and will and step up the construction of the material civilization and spiritual civilization in the countryside so as to consolidate the rural socialist base.

The grass-roots organization is the foundation of the socialist edifice. In both ideological construction and economic construction, we must rely on the vast number of grass-roots cadres to get things done. Thus making a concerted effort to do a good job in grass-roots organizational construction centered on the party branch is critical to the success of our cause. In all advanced villages where the economy is developing rapidly, where the spiritual outlook is sound, and where peasants have already become wealthy, there is always a good party branch with a good party secretary and a good leading group that are capable of enforcing the party's policies, sticking to the construction of socialism, and maintaining close ties with the masses. In contrast, where economic development has been slow, policies are not put into effect, law and order is lacking, and ugly phenomena are more widespread, the problem is essentially caused by loosely knit and paralyzed grassroots organizations. Without a strong leading group that can lead the masses in shedding poverty and achieving wealth, no policy, however good it may be, will be put into effect. "If things do not get done at the grass roots, everything else will remain empty talk." Therefore it is essential that we come to grips with the construction of organized groups at the grass roots and make party branches and party members live up to their respective roles as a fighting bastion and models. Many an area that has shed poverty has learned this important lesson: "Give us money and materials. Even more important, build a good party branch."



Most critical to the intensification of the construction of grass-roots organizations is selecting a good leader, surrounding him with a good organized group, and improving training consistently to raise the level of leadership. As far as grass-roots cadres are concerned, the emphasis is on education. Other than attending meetings, grass-roots cadres in many places seldom read books or newspapers these days. With few opportunities to make out-of-town trips, they have a narrow outlook and are seriously deprived of spiritual food. Some of the newly appointed cadres are not even familiar with the party's fine tradition, the mass line, and other basic knowledge, which makes them susceptible to corrupt practices. This is an important reason why work is not being properly done. Accordingly, we must commit ourselves to organizing training classes to train leading cadres at the grass roots. Such training is not done in an ivory tower. It is not a question of inviting a couple of instructors to give a lecture or two. The important thing is to send the trainees to advanced villages where the economy is developing rapidly and where work is being done well so that they can watch and learn on the spot. This is open training. They can find out how advanced villages started out poor and became wealthy, how cadres perform their duties honestly and lead the masses in struggling arduously and practicing self-reliance, and what problems are encountered and how they are overcome. They can ask questions until they have a full understanding of the secret of their success. This is an effective way to train grass-roots cadres. Leading organizations may put together the success stories of advanced party branches in the form of teaching materials to be disseminated through all channels. With persistence, we are highly hopeful that we will be able to spread the experience of advanced party branches and gradually change the look of their backward counterparts, thereby turning all party branches into the locomotive that will lead the masses in abolishing poverty and achieving wealth.

#### **Agricultural Supplies Market Improves**

92CE0295B Beijing JINGJI CANKAO BAO in Chinese  
7 Jan 92 p 1

[Text] The Central Government has decided to give a more prominent position to agricultural development this year. If agriculture must take huge strides forward, what is the situation of the agricultural supplies market? This reporter has learned from the National Agricultural Supplies Conference held in Chengdu on 5 January that this year's agricultural supplies sources are fairly well coordinated, market demand and supply are basically balanced, and prices are stable.

The great development in agricultural production is inevitably accompanied by an increased social demand for such agricultural products as fertilizers, pesticides, and plastic sheeting. This year's agricultural market sources are fairly well coordinated: fertilizer aggregate supply and demand are basically balanced, and this year's supply of top quality fertilizers has increased by 2

million tons over last year. But fixed-price, state-controlled, domestically produced supplies have decreased slightly. There has been a corresponding increase in state-controlled negotiated prices. Supply and demand of pesticides are also basically balanced. As regards variety, the Ministry of Chemical Industries has appropriately reduced the production of slow-selling products and increased the production of quick-selling products, following the principle of stabilizing overall quality and adjusting variety. It is predicted there will be no problem meeting market needs. Production of plastic sheeting will increase by 50 thousand tons this year, and supply and demand will be basically balanced. Prices of agricultural supplies will tend to stabilize following such changes in the market supply and demand relationship. Large fluctuations will not occur, and prices are expected to remain at basically last year's levels.

The planning of this year's agricultural supplies market should focus on the market and on domestic industrial and agricultural production. In fertilizer production, the transformation of small fertilizer plants should be supported. Local agricultural supplies markets should bring into full play the use of reserves, and actively purchase and re-supply stocks. Imported farm materials mainly serve to make up for shortages in quantity and variety in domestic production. Imports should not be blindly sought after in planning. In addition, agricultural supply departments should strictly check the quality of goods to be stocked. On one hand, they should prevent the transfer of unsalable goods from industrial storage to commercial storage; on the other hand, they should prevent the entry of fraudulent or poor quality goods into circulation, and harm the peasants' interests and reputation of the main supply and marketing cooperative sales channels.

#### **Investment Spurs Agricultural Modernization**

92CE0295A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 6 Jan 92 p 1

[Text] According to statistics from the Ministry of Finance, since reform the state has directly and indirectly through various means of budgetary, extrabudgetary and bank credit channels invested large amounts in agriculture, actively supporting agricultural production, the reform of the rural economic system, and the development of poor regions. According to statistics, in the 10 year period from 1981 to 1990, the funds allocated by the state through various channels to assist agriculture have accumulated to a total of 639.9 billion yuan.

In this 10 year period, the state budget has directly allocated a total of 186.9 billion yuan in funds towards agriculture, an average of 18.7 billion yuan annually. This represents a 2.7 fold increase, 13.6 billion yuan more than the annual average of 5.1 billion yuan allocated during the 31 years prior to 1981.

To allow the peasants to recuperate, the state has adopted a policy of stabilizing the peasant tax burden,



and of increasing production without increasing taxes. In the past 10 years, agricultural taxes have been reduced by a total of 7.4 billion yuan.

To support agricultural production, and alleviate peasant burdens, the state has sold agricultural supplies such as fertilizers, pesticides, plastic sheeting, agricultural tools, farm machinery, diesel fuel, and electricity for agricultural use at very favorable prices, going so far as to produce these goods with slight profit or even losses over extended periods of time. Such enterprise losses have been subsidized by government finances. Over the past 10 years, subsidies paid out by the state to agricultural supplies production operating under losses have amounted to 23.2 billion yuan.

To stimulate peasant initiative, during the past 10 years the state has adjusted procurement prices and methods for farm and sideline products, adopting a method of contract purchasing, thereby raising overall price levels for farm and sideline products. During this 10 year period, state financial subsidies totaled 187.1 billion yuan for farm and sideline product procurement exceeding direct agriculture budgetary expenditures during the same period.

During the past 10 years, the state has aggressively channelled extrabudgetary funds towards promoting agricultural production, rural forestry, irrigation works, and meteorological services. In 1990 these expenditures amounted to 11 billion yuan, a nine fold increase over 1981. The 10 year accumulative total amounted to 53.7 billion yuan, the equivalent of 28.7 percent of direct agricultural budgetary expenditures.

In keeping with continuing reform and opening up, in 1981 the state began to use loans from the International Agricultural Development Fund. In 1982, the state used World Bank loans to increase agricultural inputs. Over the 10 year period, the total value of these two types of loans was 9.8 billion yuan when converted to renminbi.

With the development of financial services in China, banks have also provided agricultural development with large amounts of funds. In this 10 year period, banks have provided 114.8 billion yuan in agricultural loans to state-run agriculture, collective agriculture, peasant households, low-income peasants, foreign investment project completion, and various agriculture development projects.

Besides the above-mentioned agricultural funds provided by the state, over the past 10 years the state has also invested 35.1 billion yuan in agricultural industries such as fertilizers, pesticides, and farm machinery production and repair. Through the adoption of the agriculture assistance circulating funds system, the state has established guaranteed-repayment agriculture assistance funds to increase agricultural input. In the past 10 years, state finances have contributed 21.9 billion yuan toward this circulation fund. This input has also considerably alleviated the shortage of agricultural funds.

To sum up the aforementioned, in order to assist agricultural development the state has gone through various channels and has made every effort to increase agricultural inputs. However, many problems still exist within agricultural input. One is that agriculture is living off its past profits, direct input and some agriculture assistance funds are not sufficient. For example, the percentage of state agriculture capital construction investment decreased within total capital construction investment, and the investment structure is tilted towards industry. Second is that agricultural funds are scattered and lack a unified, comprehensive arrangement and integral development planning. Limited agricultural funds are thus not able to be invested in priority projects, further aggravating the shortage of agricultural funds. Third is that the peasants do not have much initiative in increasing agricultural input on their own. In recent years, for various reasons the peasants have not been willing to engage in long term agricultural investment. Most funds have been applied toward nonagricultural, nonindustrial investments or residential investment. Comparing 1990 with 1986, average peasant consumer expenditures increased 69.5 percent, and individual investment increased by 52.5 percent, of which only 38.3 percent was in agriculture.

Departments concerned have indicated that to achieve stable development in agriculture, besides giving agricultural development the necessary favorable environment and conditions in state policies, the state must also continue to implement a policy of favorable policies, and further increase agricultural input, particularly investment in such projects as irrigation facilities, electrical lines, and agricultural machinery. Simultaneously, it is necessary to establish an agricultural input system of various administrative levels and channels, with peasant input as primary and state assistance as secondary, so as to accelerate the long-term, stabilized, coordinated development of China's agricultural production.

**Government Wants Language Standardized by 2000***HK2002022592 Beijing CHINA DAILY  
in English 20 Feb 92 p 3***["State Speaks for Common Tongue"]**

[Text] The Chinese Government is forging ahead toward standardizing the Chinese language and popularizing "putonghua," or standard Chinese.

A directive issued by the State Education Commission recently called for speeding the popularization of putonghua to facilitate communication between China's immense population, a move which would promote the nation's political unity, economic growth and cultural development.

The directive also required that by the end of the century, putonghua become the official language in schools for both teachers and students.

In addition, civil servants and people engaged in such "window" occupations as tourism, commerce and transportation are encouraged to use putonghua at work.

These steps move toward enhancing a favourable linguistic environment for current economic reforms, under which people's economic and business activities are increasing, a State Language Work Commission official said.

Under the directive, any ethnic Chinese living in any part of the country—or even any part of the world—can read Chinese and communicate through the Chinese writing system.

It might be puzzling for people living elsewhere to understand that Chinese who come from two different parts of the country may not be able to communicate—even when they use the same language.

Sometimes, to break down the spoken language barriers, people from different regions must write down what they are trying to tell each other.

Geographical barriers, inferior means of communication and travel all play their part in spawning widely different dialects.

The official with the State Language Work Commission said the Chinese are encouraged to speak standard spoken Chinese instead of local dialects at public functions and in classrooms so by 2000, all Chinese will speak the same tongue.

The Commission's targets for the year 2000 also include:

- All office workers using putonghua as their daily working language.
- Producing all radio and TV broadcasts, films and dramas in putonghua.
- People of all social classes and from all regions speaking putonghua as a common language.

But popularizing putonghua does not mean wiping out other dialects deliberately, but removing obstacles in social communication, according to the official.

There are seven major dialects within China's Han ethnic majority alone.

Convention still presents a great obstacle to the widespread use of putonghua in many parts of the country, especially in the south.

When people who work in Beijing visit their families in the south, a shift must be made to an entirely different dialect; if he continues to speak putonghua, he is sometimes jeered at for being pretentious.

Modern cultural and educational development and the progress of science and technology would require all Chinese to speak a uniform tongue under most circumstances.

However there are still many circumstances in which local dialects are used in classrooms, or people cannot understand putonghua.

**Publishing Industry's Service Spirit Viewed***HK1902072592 Beijing RENMIN RIBAO in Chinese  
12 Feb 92 p 1*

[Commentator's article: "Gearing Endeavors to Needs of Countryside, Serving Peasants"]

[Text] The report entitled "Helping People Become Prosperous" published today in RENMIN RIBAO reflects one side of China's publishing industry that is heading toward prosperity by sincerely serving readers.

In 1991, 89,000 kinds of books were published in China, with a total of 6.18 billion copies published. This has been a good trend in recent years. While the fact that so many books are published reflects the booming publishing industry, it also reminds us that the development of the publishing industry must correspond with national strength and with the capability of editors. We must see to it that they are not overburdened. At present, they should concentrate their strength to publish major books. Gearing book publication to rural areas and peasants is a major job for the publishing industry.

Comrades who have come into contact with rural work say that there is a shortage of books in rural areas. First, books suitable for peasants are lacking, and second, those suitable for peasants do not reach rural areas. Peasants welcome books on advanced science and technology and those informative and easy-to-understand ones. They also welcome those cultural and literary ones that reflect the spirit of the times and that people love to hear about and read. The fact that the Jindun Publishing House's books are welcomed is convincing proof.

In the last dozen years or so, great reforms have taken place in the rural areas of China. They are changing China's outlook and have drawn world attention. The

CPC Central Committee's decision regarding further strengthening agriculture and rural work adopted at the Eighth Plenary Session of the 13th CPC Central Committee calls on comrades of the entire party to make efforts to bring in a new situation for China's agriculture and rural work. In order to fulfill this task, it is necessary to rely on the guidance of the party's line, principles, and policies and on appropriately doing work in all aspects. Extensively disseminating science and civilization as well as advanced and practical production technologies is one of the important aspects. Here, the publishing industry plays a very important role. A book that cured a village's chickens and ducks and that was passed from one family to another, or even from one generation to another, has a very great influence. Moreover, peasants, who are getting richer and more intelligent daily, are not satisfied by reading one or several kinds of books. The Jindun Publishing House publishes 20 million copies of books, and other publishing houses make efforts to publish books for peasants, yet there are 800 million peasants in China. Therefore, it is not easy for every peasant to own one book per year. Rural areas are the most promising book market that awaits opening up.

Publishing is an cultural undertaking as it produces spiritual products. To be committed to this undertaking, we need more of the spirit of service for society, readers, intellectuals, workers, peasants, students, and People's Liberation Army officers and men. All publishers who have made contributions to the history of China's publishing have all had this spirit in mind. Now, the Jindun Publishing House has inherited and is carrying forward this spirit of service in the new period and makes a great effort to promote the development of the rural economy and society. It contrasts greatly with those publishing houses that only intend to make money or even publish unhealthy books without caring about social benefit.

There are, of course, many publishing houses that uphold this spirit of service, and we must vigorously promote this precious spirit. Carrying forward this spirit is good for the continued prosperity of the socialist publishing undertaking and for the development of the two civilizations. It is something that richly benefits people.

**Survey on Underemployed Young Intellectuals**  
*92CM0197C Beijing ZHONGGUO SHEHUI BAO*  
*in Chinese 24 Jan 92 p 3*

[Article by Wang Chengying (3769 2110 5391): "Survey Covering 10,000 People Reveals Serious Problem of Underemployment of Young Intellectuals"]

[Text] Recently Changde City, Hunan Province conducted a questionnaire survey of 11,176 young intellectuals aged 35 or under with a college or higher educational background. These intellectuals were all under the state's unified program for college admissions and job assignment. The survey revealed that young intellectuals whose abilities are well used account for only 49.32

percent, and 50.63 percent cannot use their abilities very well or cannot put their abilities to use at all.

Underemployment of young intellectuals is manifested in the following four areas: First, they are not employed in the right jobs. That is, what they have learned and what they are good at are not put to use. In reply to the question "How are young intellectuals used by organizations," 17.34 percent of the respondents said that they are used properly, 67.23 percent said that they are by and large used properly, and 15.34 percent say that they are not used properly. In response to the question "Are young intellectuals satisfied with their present jobs," only 11.6 percent said that they are satisfied, while responses expressing basic satisfaction and dissatisfaction accounted for 65.26 and 23.09 percent respectively. Second, priority is given to seniority, and competition on equal footing is impossible. This has hampered young intellectuals from displaying their role to the full. To the question "What is the urgent problem to be solved in using young intellectuals," 39.31 percent of the responses said giving priority to seniority. This was the highest number of four choices. In response to the question "What is the most pressing problem that must be solved in using young intellectuals," 49.92 percent said the problem of no competition on equal footing, the highest percentage of five choices. Third, interference from unhealthy trends prevents young intellectuals from concentrating on their work. In response to the question "What is the most unfavorable factor hampering young intellectuals from displaying their role to the full," 30.35 percent said that it is complicated human relations. This is the highest number of eight choices. In response to the question "What is the issue of greatest concern to young intellectuals," 41.18 percent referred to party style, the highest of five choices. In reply to the question "How do young intellectuals view their work," 39.53 percent said that their work does not depend on their efforts. Fourth, rational proposals are not given due attention, and initiative and creativity are dampened. To the question "Is attention given to young intellectuals' rational proposals," only 20.23 percent said that their proposals have received due attention, 60.36 percent said that only some proposals have received attention, and 19.35 percent said that their proposals have received no attention. In terms of work units, 37.59 percent of young intellectuals working in administrative organizations, 21.02 percent in institutions, and 13.89 percent in enterprises said that their rational proposals have been given due attention.

**Problems of Children From Broken Families**  
*92CM0197A Beijing ZHONGGUO SHEHUI BAO*  
*in Chinese 24 Jan 92 p 3*

[Article by Huang Peiying (7806 0160 5391) and Wu Yacheng (0702 0068 2052): "Problems of Children From Broken Homes"]

[Text] In recent years the fast-developing commodity economy, like a catalyst, has caused the breakup of

families, the most fundamental cell of society. After division of the cells, or families, can the "small suns" of the old days still maintain the "brilliance" they used to have? Through investigation, we discovered the following problems:

#### **One, unstable life.**

In one elementary school, the parents of 33 of the 216 students in the same class are divorced. Many live with their paternal or maternal grandparents or stay with other relatives or friends. They often move from place to place with no definite home.

In school, these children are under the discipline of teachers. After school, however, they are "unruly children" roaming the streets. Individually operated electronic game houses, pool rooms, and video halls are their playground. When they have money, they spend one or two yuan playing games. When they are out of money, they just stand by or hang around. Whenever they visit these places, they stay for several hours. On Saturdays, Sundays, and holidays, they are all the more lonely and pitiful. A survey questionnaire distributed to 100 children with divorced parents shows that 60 percent do not live at home, but stay with their grandparents, relatives, or neighbors or even spend all their time at the above-mentioned entertainment facilities.

#### **Two, abnormal family education environment.**

Not only is the life of these children unstable, but no one cares about their education. Most of them discontinue their studies after they finish elementary education. A high school teacher in charge of a class said: "It is very hard to educate these children due to a lack of coordinated efforts from their families. Even with painstaking efforts by the teacher, no remarkable results can be achieved." Of the above-mentioned 33 students with divorced parents, only four made good grades. Twenty-one students, or 62 percent, have very poor or below-average academic records.

Education of children should be the joint responsibility of the husband and wife. In a broken family, however, the task of educating children falls on either the husband or the wife. Obviously, such education is not as perfect as education by both the husband and the wife. Living with the mother only, a child cannot benefit from his father's staunch exemplary role. Often the mother spoils the child all the more, which is more likely to produce unhealthy behavior. On the other hand, if a child lives with his father only, he is apt to become over-restrained in behavior because the father's disciplinary action is often rigid and forceful.

#### **Three, failure to know what to do at a "new" home.**

When a family is broken, the divorced couple set up their respective new homes, but children cannot get parental love from both their father and mother at the same time. In the case of children living at their stepfathers' (stepmothers') homes, it takes time for love of stepparents to originate, evolve, and develop, and many stepfathers (stepmothers) miss the best period (when the children are three to seven years old) to cultivate affection between parents and children, and educating the children is not as effective as expected. In addition, because of unfavorable influence from outside, the children are likely to have behavioral problems. Some children have a feeling of disharmony and constraint when living with their stepfathers or stepmothers. Normal development of their individual character is obstructed, and they become slow and rigid in thought. Some children often feel restless, sad, resentful, and fearful, and their sleep is often fraught with dreams. In serious cases, this may give rise to mental and psychological problems. A follow-up observation over several years of 131 children with divorced parents, show that the impact of divorce on children varies with the children's ages. The impact on children under six years of age is fear, flinch, and self-reproach. Children between six and nine years old feel sorrowful and lonely, miss their lost parents, and are at a loss "whom they should be faithful to." Those from 10 to 15 ostensibly appear to be able to overcome the misfortune caused by the family crisis, but feel extremely constrained, hate their parents and families, or form an "alliance" with either their father or mother, and change their character. Therefore, some scholars say that when parents are divorced, children are not bystanders; rather, they are involved in and victimized by their parents' divorce.

#### **Four, increased crimes committed by children from broken families.**

In the urban area of Nantong City, 60 percent of the crimes between 1978 and 1984 were committed by adolescents, and 32 percent by children from broken families. Between 1986 and 1990, crimes committed by adolescents accounted for 70-72 percent of the total number of crimes, and crimes committed by children from broken families accounted for 51 percent. Noteworthy is that these crime-committing children from broken families included elementary and high school students, and unemployed youth. An example was a youth named Xue, who lived with his father after his mother remarried. His father indulged in drinking and gambling and never took care of the family. His younger brother had hepatitis, but the family had no money to pay the medical expense, and buy special food. Finally, Xue became a thief. There are numerous examples of children committing crimes because of divorce. This is a matter deserving our great attention.

### **Business Craze of Elementary, High School Students**

92CM0196B Beijing ZHONGGUO SHEHUI BAO  
in Chinese 24 Jan 92 p 3

[Article by Wang Maoku (3769 5399 1655): "Temptation of 'Omnipotent Money'"]

[Excerpt] Of late, the thought of "putting money above all else" has spread like an epidemic, producing an inevitable impact on the educational field. Comments despising knowledge and intellectuals, such as "developing atomic bombs is not as rewarding as selling tea eggs" and "the doctor's scalpel cannot compare with the barber's razor," have prevailed along with the money-worship tide of commodity society, which is characterized by eagerness for quick success and immediate benefit. As a result, "the theory that study is of no use" has once again spread unchecked, corroding our cause of culture and education. The belief that study is of no use, the increase in illiterates, and the trend of giving up education to engage in business have become problems of public concern. Some elementary and high school students, with newly awakened consciousness, have vied to plunge into this tide. What is shocking is that elementary and high schools in rural areas have lost large numbers of students. According to the record, junior high schools in Dalian's rural areas lost 8,500 students during the first semester of 1988. This accounted for 6 percent of the total number of students. In Yongtai County of Fujian City, an area with the largest number of students giving up education, only 58.8 percent of the junior high school students remain in school. In Hubei Province, as many as 100,000 elementary school students gave up their education in a short span of a few months. In the face of this grim situation, it is of no avail to sigh or utter a few admonishing words. Based on an investigation conducted among elementary and high school students, I would like to analyze the social background of their motive to give up education to engage in business as well as their own characteristics as a way to alert people to this problem.

How does the idea of omnipotent money influence elementary and high school students? A sociologist's brief remark hits the nail on the head: "The crux is not that study is of no use. Rather, it is that study cannot make money. Being of no use is the phenomenon; being unable to make money is the essence." The following are some living examples:

Example one: Money has dampened some students' interest in education. Once a former high school student held a lavish birthday party. Although the banquet cost several hundred yuan per table, he thought that this was no big deal. The reason is that he had earned a large sum of money after giving up education to engage in business amid the nationwide commercial craze. His manner surprised other students on the occasion, who could not help but admire his wealth. Eager to have a try, some

planned to follow suit by giving up education to engage in business in order to fulfill the great ambition of making a lot of money.

Example two: Desire for luxury and vanity have affected the state of minds of elementary and high school students. A female high school student worried about her single-edged eyelids. On learning that a plastic surgeon in town had amazing skills, she went to this surgeon and spent 80 yuan to have two unnatural lines cut on her eyelids. Another female student of a junior high school saw a model's unique hair style from a magazine. She went to an individually operated beauty salon and spent 35 yuan to get a hairdo of the same "seamless steel plate" style as the model's. After this, she looked at the mirror and said with satisfaction: "If it is beautiful, it is worth paying several dozen or even a hundred yuan!" As for male students, smoking and drinking are becoming increasingly serious problems. They take pride in smoking brand-name cigarettes. Some go to dance halls and pool rooms. Why are they so generous with money? The reason is that they can get money easily.

Example three: "Knowledge has declined in value and cannot arouse students' initiative." Investigation reveals that some students have this idea: No matter how well you study, it is better to have money than knowledge. Money makes the mare go. If you have money, you have everything. Some students set up fruit stalls or sold garments, and after a few days, their pockets were filled with money. This made them cocky. They wore high-grade clothes, smoked brand-name cigarettes, and worshipped money all the more.

Example four: High-grade foods and drinks are desired. According to surveys conducted by an enterprise, an elementary school student now spends 2.16 yuan for snacks per day. In many families, money spent for children's food accounts for 21 percent of the total living expense. Melon seeds, candy, soda, and ice cream bars of the old days are no longer in vogue. They have been replaced by high-grade snacks like bubble gum, fruit juice, 7-Up, and Coca-Cola. Children want to buy whatever snacks are good for "the little emperor" as advertised in the television commercial. Once these children grow up, they might do some foolish things if they are out of money.

Quite a number of people have expressed concern over the trend of elementary and high school students giving up education to engage in business due to belief that money is omnipotent. It is inevitable and reasonable for money to exist in modern society as an exchange medium in the circulation of commodities. The purpose of this article is not to advocate such asceticism as to "forbid talking about money." However, the belief that "money is omnipotent" has produced a negative effect on our elementary and high school students under the specific background and social environment of the times. The problem has evoked the concern of the general public and should be solved with the efforts of the entire society. [passage omitted]

**Difficulties in Effectively Managing Public Order**

92CM0197B Beijing RENMIN GONGAN BAO  
in Chinese 16 Jan 92 p 3

[Article by Wang Changzheng (3769 7022 1767): "Three Difficulties in Improving Public Order by Comprehensive Measures"]

[Text] During the past few years, because we have implemented and used an integrated program to improve public order by comprehensive measures, we have successfully checked the rising trend of crimes committed by adolescents, and stabilized the social order. Viewed in another perspective, however, this work is still confronted with many obstacles and difficulties, and our program of improving public order by comprehensive measures has not yet produced the maximum results. Following are main difficulties in this work:

1. It is difficult to mobilize the masses. As far as the masses in society are concerned, we have as yet to enhance their awareness, and it is still hard to raise their thinking and understanding to a desirable level. As early as 1986, a relevant central department pointed out explicitly: In essence, comprehensive improvement of public order is a systematic project aimed at educating, saving, and transforming people. To make a success of this work, we should rely on the efforts of the whole party and the entire society rather than a single department. We cannot just rely on one method, but should use many, many methods. We cannot just do the work at one time, but should persist in it on a long term basis. Nonetheless, a conspicuous problem has arisen in practical work: Some people and organizations lack the awareness of getting involved, and their thinking and understanding still have certain limitations and are lopsided. One opinion is that improvement of public order by comprehensive measures is an all-people campaign, and whether they participate in it will not affect the overall situation. Another opinion is that this is a matter of political and legal affairs departments and has nothing to do with them. To be involved in this matter is to do something beyond their duty. The third opinion is that this is a wide-ranging campaign covering many aspects. Even if they do something, the result will not be apparent. All they can do is "a hard but thankless job." The list of such examples can go on. These opinions have reduced the widespread effect of the program of improving public order by comprehensive measures and created many "gaps" in society. In certain areas, there has appeared an unbalanced situation as reflected by the following attitudes: Since you are doing it, I will not get involved. If you are taking care of it, I will not do it. In particular, we now still lack a scientific, standard, and systematic nationwide plan for this work. Objectively, this has created the state of affairs where people "feel it important" to improve public order by comprehensive measures, but do not know "how to start" the work. As a result, the overall "effect of public security work" cannot be brought into full play, nor is there an effective "integrated force" to propel the work.

2. It is difficult to coordinate the work. So far, "departments and regions" have not been integrated into an organic whole, nor have various relationships been fully rationalized. Since improvement of public order by comprehensive measures is a complicated systematic social project, all its "sub-systems" must coordinate with each other rationally and scientifically and be maintained in an "orderly" state. This project comprises many key tasks, including "striking, prevention, education, control, and correction." It uses many measures, such as legal, political, administrative, educational, cultural, and economic measures. If a "single" measure is used to treat the social "syndrome" of crimes, it will be hard to get effective results. However, the narrow-minded concept of seeking individual or small-group interests has created man-made inter-regional, inter-sectoral, and region-sector "estrangements in doing public security work." Under such circumstances, everyone is going their own way, and it is impossible to achieve good results in stimulating each other's initiative and making coordinated efforts. In particular, because relationships have not been well rationalized among the legislative, propaganda, administrative, and economic sectors, some "uncontrolled spots" and "uncontrolled areas" have appeared as an objective result. For example, some people acted courageously on the street to uphold justice and got wounded, but there is no established system for defraying their medical expense. To meet the "low crime rate target," some "criminal cases have been covered up" purposely. Prisoners released after serving their sentences cannot find jobs in society, and so forth. Solutions to these problems require coordinated efforts from all social sectors. Failure to make coordinated efforts will greatly reduce citizens' capability of checking crimes, lower people's "sense of responsibility," weaken the binding force of society, and adversely affect public security work.

3. It is difficult to implement. Theory and practice have not been integrated closely, and only slow pace is made in putting results to practical use. We have carried out systematic research on the program of improving public order by comprehensive measures for over 10 years. During this period, the broad masses of social workers as well as comrades engaged in political and legal affairs and in other fields of work have turned out large numbers of theses and reports based on their studies, summed up many experiences, and designed quite a number of feasible scientific plans for implementation. However, a large amount of research results have not been used by the leadership in making policy decisions. After being printed out, many articles on such research work have become scraps of paper. There are two problems: One is that the research work is not sufficiently deepgoing and wide-ranging. Some articles on research work look good, but serve no useful purposes. The other problem is that some departments have not paid sufficient attention to the research results and only used a small part of them for referential purposes. Objectively, this has created an abnormal situation; that

is, while more and more achievements are made in crime research, the number of crimes is still increasing in our society.

### **Causes, Effects of Transferring to Another School**

92CM0186B Beijing ZHONGGUO SHEHUI BAO  
in Chinese 10 Jan 92 p 3

[Article by Zhu Hu (4376 0062): "A Face to Face Look at the School Transfer Phenomenon"]

[Excerpts] [passage omitted] Why do some families transfer their children to another school? What is the impact on the children? How does it affect the family, school and society? The Xuzhou City Socio-Economic Investigation Team investigated 20 parents and interviewed the leaders and teachers of six middle schools on the above questions. [passage omitted]

#### **I. Why do they want to transfer their children?**

Primary school is the foundation, and school is the key link. This is a fixed notion by which most families view the qualities of primary school education. Especially in families with an only child, they put all their hearts and minds into their child's education and learning. Because currently, the educational field divides schools into provincial, municipal and district priority and ordinary schools, recruits students according to such jurisdictions, adopts a protective policy leaning toward priority schools, and each year apportions superior graduates to teacher schools, etc. This virtually tells society that there are differences in types of schools and teaching quality, which excites students and parents outside the jurisdiction. What student does not want to attend a good school? What parents do not want to get their own children into a priority school? The precedent of those who live near a priority school district transferring has led to a sizable transfer trend as summer vacation begins to the fall opening; parents spring into action one after another, relying on connections and seeking friends, and looking in all places for access. A parent, whose fifth grade student had just transferred to a certain priority school this fall, told us that the teaching quality at the priority school was famous, for the sake of the child's learning, we expended a lot of effort before we could get the transfer; the teaching quality and the school spirit of the original school was unacceptable even according to its teachers, so we could not hold up our child. Another parent who did railroad work told us that his child was in fifth grade at the railway primary school; if there was no transfer, then the only recourse next year would be to enter the railways middle school. We were told that he could not take the examination for a priority middle school, so for the sake of his future, we crossed the district line, moved our residence, and with the transfer completed, we can now rest easier. According to investigation, of a certain priority school's sixth grade, transferred schoolmates alone accounted for 50 percent of the class.

#### **II. Priority schools stagger from the burden, ordinary schools heavy with worry**

No one wants to enter an ordinary school, and priority schools are crowded to bursting. This glaring contrast has perplexed and worried educational colleagues. Priority schools plagued by being filled to capacity is a fact. In one priority primary school in a certain province, of 30 classes, each had 60 or more pupils, some had 70, long ago breaking the prescribed framework of 45 per class, many exceeded the limit by 50 percent, causing problems such as crowded classrooms, bad lighting, distracting learning environment, disorderliness, less exercise space, heavily teaching loads, lower physical qualities, which severely affected raising the teaching quality. Although the school, out of alternatives, used residence and address checks, increased fee standards and made examinations more difficult for transfers to control the entry of students from outside the jurisdiction, none have worked. One school principal said, "This year more than 300 people wanted to transfer, finally 50 were admitted, our school has reached its extreme limit. These several years, there has been a consistent overload; the effect upon teaching quality is becoming clearer and clearer, we are all very worried." The principal of a priority primary school told us, "Each year, the day school opens in the fall, is also the day we are scared. We cannot beat back the powerful connections that come from all directions because the school must survive, must develop." A mathematics teacher said that he taught two classes and corrected the work of 140 students each day, and he has a two-year-old child of his own. Sometimes, I have no recourse but to change the emphasis a little, or let students correct each other's; as to developing new courses, doing research, there's no point in discussing it.

If the priority schools situation is like this, then what about the ordinary ones? Our investigation with the leaders and teachers of two schools told us that the subdividing into provincial, municipal and district priority schools and enrolling in accordance has been very disadvantageous to ordinary schools. The teacher school graduates they get each year are already picked over by priority schools, many teachers are lackadaisical, uneasy in their work, or want to change professions; this is fact. "Every year, we see students with good achievements transfer. We see that and ache in our hearts; we want to keep them, let them add some luster to our school. But for a number of reasons, our school is inferior to a priority one, we can only throw up our hands and let them go." One teacher talked about the hope that higher authorities would put a bit more energy into ordinary schools. Raising the overall quality of city-wide primary school administration and teaching is the correct road.

#### **III. One cannot ignore the impact on transfer students**

Students transfer because many families want to give their children an even better learning environment, to raise and improve learning, this is one important positive aspect; but it is not hard to see some harmful effects on the children. One must know, a small child is pure and



innocent without independent ability, has a strong need to rely on others, especially its recognition of social matters is hazy; many families simply do not consider the wishes of the child, nor the position the child is placed in, insist on transfer, and harm the spirit of the youngster. In our investigation, we saw a parent who worked in a hospital machine room bringing a wailing son to transfer, even as the boy cried, "I don't want to transfer; I'll study well, I want to go back to my school." Although already two months into the term, the child remained depressed, and still went back from time to time to the old school looking for schoolmates and teachers. One priority school fifth grader, whose home was at the Pang Village Coal Mine, had to go 60 li each day round trip; there was no fixed spot for lunch, food was gulped down; teachers who saw this were in agony, and the student himself did not want to go to such a distant school. As to transfer that involved the straddling of a district within a city, going to and fro, traffic accidents were a common sight, some students, after classes had been in session for 60 to 70 days, still had not returned to class.

#### IV. Economic burdens brought on the family by transfer

An adage has it that one must travel if the road is nearby, one must do it if the task is small, but a transfer is no small task. One must go through three passes: One is finding a way; two is determining the school; three is changing the residence; of course, there are some who transfer but do not move. Transfer requires spending money, paying money, this is fact; this affects the economic life of a family. According to investigation, the various priority schools in the city, to restrict entry by students outside the district, were variously paid 300 to 1,000 yuan. Even so, some families for the sake of their children do not mind spending large sums, even borrowing money to transfer.

#### V. Clear signs of reverse transfers

According to investigation, currently the primary objective for middle and primary school transfers is to get a foundation at a priority school. Following the gradual perfection of the educational system, the expansion of priority school enrolling range and use of quotas by priority primary and ordinary primary schools have created a turning point in entry by ordinary primary school students into priority ones. Therefore, now, there are inklings of a reverse transfer from priority to ordinary schools. The major reason for this phenomenon is that priority primary school graduates are required to be admitted to priority middle schools on a quota basis, in accordance to examination ranking. For example, this year the graduating fifth grade class of a certain priority middle school was given a quota of 65 for admittance to Middle School No. 3; the cutoff cumulative grade score was 189.5 to be selected. Those below went to other schools; this was really regrettable for those who were just one or half a decimal point short. But for the graduating class of an ordinary primary school, although the quota was smaller, the cumulative examination grades were lower than that of the priority

school, they still could be selected for a priority middle school, thus some parents had the notion of transferring back from a priority primary school to an ordinary one, then doing well enough to be ranked among the top, increasing the chance of getting into a priority middle school, and thus turning a bad situation to a good one; some priority schools are already seeing this reverse transfer phenomenon. During the investigation, some parents already had this notion. As this kind of reverse transfer pushes into the quotas for ordinary primary schools for getting into priority middle schools, it has aroused discussions among teachers and uneasiness among many families, creating a new conflict. If this kind of quota apportionment should continue, the phenomenon of reverse transfer will become widespread, this kind of phenomenon must arouse a high degree of attention by education authorities.

#### VI. Impact of transfers on society

School transfers not only cause schools to fill beyond capacity, they also interfere with social control and service work. For example, transfers create unoccupied residences, make it harder for police stations to control residence registration, and create difficulties for the normal work of the residence committees. Of 1,000 households under three residence committees near one priority primary school, unoccupied residences due to transfers accounted for 10 percent, resulting in abnormal residential movement; moving residences due to incoming and outgoing transfers, continued empty residences although there were no transfers; this phenomena makes residence committee directors deeply worried. What especially needs to be pointed out is that, when a certain residence committee conducted a general survey of population registration, it had no way to verify the facts, and for a time was forced into delays. The city's population survey was severely obstructed.

Furthermore, transfers affect people's normal work. Speaking of transfer students, most family addresses are comparatively far, although the distance to their parents' place of work varies, it impedes to varying extents their normal work; some parents are physically at work, but their minds are with their children, how can they keep their minds on the job. One parent who worked at a unit at Mengjiagou said, "I live at Hubin New Village; every day, two hours ahead, I meet my child, my comrades in the workshop are understanding, but saying it won't affect work is nonsense. I fear that many parents share this feeling!" When the time for dismissing classes has not yet arrived, a crowd is gathered at the front gate, a mass of bicycles; even the normal teaching at the school is obstructed, and traffic is affected. One guidance supervisor said that there was still time before classes ended, but outside there is a loud clamor, some students look out for their parents; this won't affect learning? We can only send schoolmates to guard both sides of the school gate, chase the parents farther out a bit, but hope that parents will be understanding of us; some tramway operators facing such a scene of chaos, are even more apprehensive and troubled beyond words. [passage omitted]

### New Vice President of Legislative Yuan Profiled

92CM0190A Taipei TZULI WANPAO in Chinese  
19 Jan 92 p 2

[Article by Chen Shan-jung: "Shen Shih-hsiung, Peasant Family Background, Good Human Relations and Abundant Financial Resources, Lives Under Shadow of Vote-Buying; and Excels in Playing Political Tactics"]

[Text] Newly elected Vice President of the Legislative Yuan Shen Shih-hsiung who finds himself difficult to separate from the term of "two votes" recently won both the in-party primary and the legislature's vice president election by a narrow margin of only two votes. Although the "anti-Shen faction" did not succeed during this re-election of the legislature's leaders, Shen Shih-hsiung was really in "great danger" of losing the election under a tense situation. During the tumultuous election campaign under the shadow of "vote-buying," Shen who had only little fame in the financial and economic circles became a well-known public figure overnight.

Shen Shih-hsiung has fairly good human relations in the legislature. However, during this election campaign, nearly everyone said that he was involved in "buying votes," but no one provided any substantial evidence. In the Legislative Yuan where each person tries to cheat or outwit the other, whispers and rumors abound. Under continuous attacks from various lower-level political groups, this legislator from Nantou County who had turned himself into a "financial big-shot" from a "self-employed peasant" was mercilessly mauled. Nevertheless, Shen who excels in playing political tactics did not succumb. During this fierce battle, he still maintained a firm grip of the throne of the Legislature's vice president, but had to fight hard to win this seat.

Shen Shih-hsiung who claimed that he hailed from a farmer's family and that he had to start from scratch was born in Shuili Township, Nantou County. Graduated from the Law School of the Soochow University, he was elected councilman of the seventh, eighth and ninth Nantou County Council. After being nominated by the Kuomintang [KMT] and elected as a legislator in 1980, he won the legislature's elections four times running. Before he was elected Vice President of the Legislative Yuan, his position in the party was Vice Chairman of the KMT Central Committee's Policy Coordination Committee. He is now 56 years old.

When Shen Shih-hsiung entered the political realm in 1968, he worked for the Kuo Hua Insurance Company in Taichung City. His father was then Secretary General of the Farmers' Association in Shuili Township. Shen Shih-hsiung did not deny that it was with his father's help that he was elected councilman of Nantou County. His father died in 1970. Since then, he quickened his step in establishing his relations with other people and was twice elected county councilman. During that time, he was in Lin Yang-kang's good graces. The latter also hailed from Nantou County, and was Governor of Taiwan Province at that time.

When he was a county councilman, Shen Shih-hsiung began to take the path of becoming a "people's deputy with a strong financial and economic background." Some 18 years ago, he developed the Song-pou Hill Golf Course jointly with Nantou County Magistrate Liu Yu-yu. Shen was not a big shareholder in the golf course, but he was elected a responsible person for the course. Now he remains chairman of the course's board of directors. In Taiwan where the golf course is regarded as the place for political advancement, Shen made use of the golf course to establish ties with many high-ranking officials including the incumbent President Li Teng-hui.

How much are Shen's assets worth and how well does he know President Li? The outsiders always like to ask these questions with the suspicion about vote-buying clouding the people's minds and the high-ranking KMT officials trying to warm up for a trial of strength. In 1978, Shen Shih-hsiung was nominated by the ruling party as a legislator candidate. The election was not held until 1980 because of the severance of diplomatic ties between Taiwan and the United States. Shen was elected legislator on the basis of his experience as a county councilman for three terms running. After entering the legislature, Shen maintained close ties with senior legislators such as Chao Tze-chi and others of the "Symposium Faction" who were in power in the legislature. Thus, he became the first additional legislator who assumed the post of the deputy secretary general of the KMT Branch in the legislature. Later he was appointed the convener of the legislature's "Audit Committee." During his tenure, Shen had found land to build the "Ta An Auditorium" and the "Tower of Heroes" while rebuilding the "assembly hall" of the legislature.

With the connivance of the ruling party, money politics has extended its tentacles into various election campaigns in the course of economic development. Under the pressure of fund-raising for elections, Shen Shih-hsiung started to develop himself in "business management." He actively participated in the discussion and deliberation of the "draft revision of the Law on Tariffs" in 1984, the "Draft Revision of the Custom Duties Regulation" in 1985 and the "Draft Revision of Custom Duties Regulation" in 1991. His particular interest in using issues on "tariffs" to play political tactics had not only helped him avert his financial crises, but also made him a legislator with "rich financial resources." Needless to say, his relations with Yeh Hsing and the Bank of Communication and with former Vice Finance Minister Ronald Ho is something that outsiders should not know.

As for Shen's assets which he himself had made public, he is now Vice Chairman of the Board of Directors of the "Yeh Hsing Iron and Steel Company" holding 200,000 shares; and a standing member of the Board of Directors of the "Yeh Lung Group" with assets of approximately NT\$200 million [new Taiwan dollars]. He initially invested about NT\$2 million in former legislator Tsai Wan-tsai's "Fu Pang Securities", but later increased his investment to NT\$5-6 million. Taking into consideration the amount of dividends and bonuses, he now

owns about one million shares. With a loan of NT\$20 million from the City Bank of Taipei and his own NT\$30 million, he invested a total of NT\$50 million in the party-run "Hua Hsin Bank." At the same time, he became a permanent member of the bank's Board of Directors. As for the "Song-Pou Hill Golf Course," he is now Chairman of the course's board of directors. Also, he has recently bought a house in Nei Hu worth several million NT dollars.

At a Legislative Yuan meeting, Shen Shih-hsiung pounded the table and exchanged abuses on the issue of tariffs for billet imports with legislator Wu Teh-mei who ran the "An Feng Iron and Steel Mill." Shen explained that he was just trying to reflect the feelings of those at the medium and lower levels in the iron and steel industry after he received their petition in this connection. It was not true that he was reportedly trying to "help them illicitly," he added. In addition, he was upholding the views of the Finance Ministry, and he disagreed with the proposal to lower the tariff put forward by Wu Teh-mei who represents those at the higher level in the iron and steel industry, he said.

His relation with President Li Teng-hui started when Li was the Governor of Taiwan Province. Li loves to play golf and often plays the game at the "Song-pou Hill Golf Course." Li Teng-hui has a good impression on this golf course. He told Shen that the Song-pou Hill Golf Course was similar to the one near Cornell University where he studied. President Li's most recent visit to the golf course for a golf game was in August 1991. He was then accompanied by Presidential Chief Military Aide Chiang Chung-ling.

After Shen was elected legislator in 1980, he had to drive between the north and the south many times. He had a car accident once and broke his leg. He was rushed to the hospital in New Chung Hsing Villa for emergency treatment. After hearing about his golf friend's serious injury, Li Teng-hui, provincial governor at that time, and Mrs. Li went to the hospital to see Shen and also sent a helicopter to transfer Shen to the Veteran General Hospital for treatment.

Another event which indicates that Shen "can be regarded" as Li Teng-hui's man is that when Shen ran for his third term as a legislator in 1986, former vice president of the Executive Yuan Lin Yang-kang's brother Lin Yuan-lang was also running for a seat in the legislature. Thus, the competition was keen for the election in Nantou County. Nieh Wen-ya, President of the Legislature at that time, told Shen: "You have distinguished yourself well in the Legislative Yuan, but there may be problems in your nomination." Shen then solicited help from Sung Shih-hsuan, Chairman of the KMT Organization Work Committee. Li Teng-hui, who was vice president at that time, also asked Shen to continue running for a seat in the legislature. Later, both

of them had won the party's nomination and the election. Nevertheless, Shen's relation with Li Teng-hui remains in the stage where he "can be regarded" as Li's man.

During this election for the legislature's vice presidency, the ruling party originally favored Hsieh Shen-shan. However, Shen Shih-hsiung beat Hsieh by a narrow margin of two votes. Except for his "congratulations" to Shen at the Standing Committee meeting of the KMT Central Committee, Li Teng-hui had not established still closer contacts with Shen. Shen Shih-hsiung has also maintained good relations with Premier Hao Po-tsun. High-ranking government officials such as Hao Po-tsun, Chiu Chuang-huan and Ma Chen-fang had also often played golf at the Song-pou Hill Golf Course.

With various factions struggling against one another, Shen Shih-hsiung won a hard-fought battle in the election for the legislature's vice president. It is possible that the anti-Shen trend can be interpreted as a dispute caused by personal feelings or as a trial of strengths among high-ranking party officials. Nevertheless, Shen's financial and economic background is something that cannot be neglected. Overseas Chinese legislators played a significant role in this election. With regard to Tsai Feng-tou's criticism of Shen's inability to achieve anything in Overseas Chinese affairs, Shen Shih-hsiung said: In the beginning, all lower-level groups in the legislature tried to push out Overseas Chinese legislators. The "Research Committee for National Construction" is the first one to accept Overseas Chinese legislators. When Overseas Chinese legislator Wang Ting-hsi was beaten, Chou Shu-fu and I were among the first group to visit him in the hospital. Naturally, it is good to take care of more Overseas Chinese legislators.

It is not a "crime" for one to have a financial and economic background. In 1991, Shen Shih-hsiung had twice secretly accompanied Economics Minister Vincent Siew to meet with Japan's minister for foreign affairs, minister for international trade and industry and minister for agriculture, forestry and fisheries. At last year's Conference for Economic Cooperation in Asia and the Pacific Region, Shen also acted as a go-between to help Vincent Siew meet with the Japanese foreign minister. During this election, former legislator and President of the Sino-Japanese Group Lin Kun-chung had stepped forward to give Shen a lot of help. Those with financial and economic background are still playing a dominant role in everything.

There is a saying that "fish do not live in clear water, nor do extremely perceptive people have disciples." Shen Shih-hsiung had to return many favors done to him. All these need to be clarified and handled. However, at a time when he was criticized from the left and the right, he has got the best chance to "prettify himself." That is the worst he can do. What is the best he can do? Shen Shih-hsiung who is good at creating a good public image to the extent of going to KMT Headquarters to donate

blood should make good use of his present position and seize this rare opportunity to "save and redeem himself."

### **Savings Outpace Investments in 1991**

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[Text] Taipei, Feb. 10 (CNA)—Despite the launching of the Six-Year National Development Plan, the Republic of China's [ROC] national savings still outpaced investments in 1991, a leading economic planner reported over the weekend.

Shirley Kuo, chairwoman of the Council for Economic Planning and Development (CEPD), said Taiwan's marginal savings reached 1.43 trillion NT [new Taiwan] dlr in 1991, or 29.7 percent of its gross national product (GNP).

In comparison, public and private investments totaled 1.05 trillion NT dlr last year, or 22.5 percent of GNP, the country's total output in goods and services. Taiwan's GNP topped 4.82 trillion NT dlr in 1991.

Since saving provides funds for investment, Kuo noted, the high marginal propensity to save here underscores Taiwan's potential for investment and economic growth.

It is estimated that Taiwan still has some 346.2 billion NT dlr available for investment, Kuo said.

Generally speaking, the economic strategist said, Taiwan's 1991 investments were far higher than those in previous years.

The government invested 281.3 billion NT dlr in infrastructure construction last year; state-run enterprises spent 256.1 billion NT dlr in renovating facilities and

expanding capacity. Cumulative public investments made up 11.4 percent of annual GNP.

Private investments reached 520.8 billion NT dlr in 1991, about 11.1 percent of GNP.

Of the total investments, 520.6 billion NT dlr was invested in infrastructure construction; investment in transportation equipment accounted for 88.7 billion NT dlr; and 448.9 billion NT dlr was used to purchase machinery and other production facilities.

Kuo went on to say that the increasing liquidity in the local financial market is not for the moment expected to hinder the steady growth of the local economy.

As a result of Taiwan's continuing export boom and an inflow of foreign capital, the domestic money supply has grown rapidly in recent months. The narrowly defined M1B money supply grew at an annual rate of 11.5 percent in December 1991 and the broadly defined M2 registered a staggering 18.7 percent growth.

While some economists worry that the rapid growth of the money supply might again trigger speculative money games here, Kuo said the worries are unwarranted. Both M1B and M2 growth rates remain in a "tolerable range," she asserted.

Kuo reported that the Central Bank of China has taken steps to absorb idle funds in the private sector since the latter half of last year.

In addition to issuing some 405.8 billion NT dlr in treasury bills and negotiable certificates of deposit, the Central Bank floated 174.5 billion NT dlr in bonds last year.

As of the end of 1991, the government had 260.2 billion NT dlr in outstanding bonds, or 5.4 percent of the country's GNP. By contrast, Kuo said, government bonds accounted for 45.1 percent of Japan's total output in goods and services.

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